

# Informal Joint Performance and Audit Scrutiny Committee



**Forest Heath**  
District Council

<b>Title:</b>	<b>Agenda</b>												
<b>Date:</b>	<b>Wednesday 29 November 2017</b>												
<b>Time:</b>	<b>5.00 pm</b>												
<b>Venue:</b>	<b>Council Chamber District Offices</b> College Heath Road Mildenhall												
<b>Full Members:</b>	<p style="text-align: center;"><b>Chairman</b> Louis Busuttill</p> <p style="text-align: center;"><b>Vice Chairman</b> Colin Noble</p> <p><i>Conservative Members (8)</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Michael Anderson</td> <td style="width: 33%;">Louis Busuttill</td> </tr> <tr> <td>Chris Barker</td> <td>Simon Cole</td> </tr> <tr> <td>Rona Burt</td> <td>Christine Mason</td> </tr> <tr> <td>John Bloodworth</td> <td>Colin Noble</td> </tr> </table> <p><i>West Suffolk Independent (1)</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Andrew Appleby</td> <td></td> </tr> </table> <p><i>UKIP (1)</i></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Peter Ridgwell</td> <td></td> </tr> </table>	Michael Anderson	Louis Busuttill	Chris Barker	Simon Cole	Rona Burt	Christine Mason	John Bloodworth	Colin Noble	Andrew Appleby		Peter Ridgwell	
Michael Anderson	Louis Busuttill												
Chris Barker	Simon Cole												
Rona Burt	Christine Mason												
John Bloodworth	Colin Noble												
Andrew Appleby													
Peter Ridgwell													
<b>Substitutes:</b>	Named substitutes are not appointed												
<b>Interests – Declaration and Restriction on Participation:</b>	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.												
<b>Quorum:</b>	Three Members												
<b>Committee administrator:</b>	<b>Christine Brain</b> Democratic Services Officer (Scrutiny) <b>Tel:</b> 01638 719729 <b>Email:</b> <a href="mailto:christine.brain@westsuffolk.gov.uk">christine.brain@westsuffolk.gov.uk</a>												

<b>5.00pm</b>	Informal discussions with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee on six substantive items listed below under Items 5 to 10 inclusive, to be held in the <b>Council Chamber</b> .
<b>5.15pm</b>	The formal meeting of the Performance and Audit Scrutiny Committee will commence at 5.15pm or immediately following the conclusion of the informal discussions, whichever is the later in the <b>Council Chamber</b> .

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All Members of St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee have been invited to attend the meeting to enable informal discussions on the reports listed in Items 5 to 10 inclusive below to take place between the two authorities:

**COUNCILLORS**

Conservative Members (9)	Sarah Broughton Jane Midwood Andrew Smith	Beccy Hopfensperger Karen Richardson Peter Thompson	Betty Mclatchy David Roach Patricia Warby
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UKIP Member (1)    Barry Robbins

**SUBSTITUTES**

Conservative Members (3)	Mary Evans	Susan Glossop	Ivor Mclatchy
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UKIP Member (1)    Jason Crooks

On the conclusion of the informal joint discussions, Members of St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee will withdraw from the Council Chamber to the Training Room to hold their meeting and Forest Heath's Performance and Audit Scrutiny Committee will continue as follows:

# Public Information

<b>Venue:</b>	<b>District Offices</b> College Heath Road Mildenhall Suffolk, IP28 7EY	Tel: 01638 719000 Email: <a href="mailto:democratic.services@westsuffolk.gov.uk">democratic.services@westsuffolk.gov.uk</a> Web: <a href="http://www.westsuffolk.gov.uk">www.westsuffolk.gov.uk</a>
<b>Access to agenda and reports before the meeting:</b>	Copies of the agenda and reports are open for public inspection at the above address at least five clear days before the meeting. They are also available to view on our website.	
<b>Attendance at meetings:</b>	The District Council actively welcomes members of the public and the press to attend its meetings and holds as many of its meetings as possible in public.	
<b>Public speaking:</b>	<p>Members of the public who live or work in the District are invited to put one question or statement of not more than three minutes duration relating to items to be discussed in Part 1 of the agenda only. If a question is asked and answered within three minutes, the person who asked the question may ask a supplementary question that arises from the reply.</p> <p>A person who wishes to speak must register at least 15 minutes before the time the meeting is scheduled to start.</p> <p>There is an overall time limit of 15 minutes for public speaking, which may be extended at the Chairman's discretion.</p>	
<b>Disabled access:</b>	The public gallery is on the first floor and is accessible via stairs. There is not a lift but disabled seating is available at the back of the Council Chamber on the ground floor. Please see the Committee Administrator who will be able to help you.	
<b>Induction loop:</b>	An Induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter.	
<b>Recording of meetings:</b>	<p>The Council may record this meeting and permits members of the public and media to record or broadcast it as well (when the media and public are not lawfully excluded).</p> <p>Any member of the public who attends a meeting and objects to being filmed should advise the Committee Administrator who will instruct that they are not included in the filming.</p>	

# Agenda

## Procedural Matters

### Part 1(A) – Public

**1. Substitutes**

**2. Apologies for Absence**

**3. Minutes**

**1 - 8**

To confirm the minutes of the meeting held on 21 September 2017 (copy attached).

**4. Public Participation**

Members of the public who live or work in Forest Heath are invited to put one question/statement of not more than 3 minutes duration relating to items to be discussed in Part 1 of the agenda only. If a question is asked and answered within 3 minutes, the person who asked the question may ask a supplementary question that arises from the reply.

A person who wishes to speak must register at least 15 minutes before the time the meeting is scheduled to start. There is an overall limit of 15 minutes for public speaking, which may be extended at the Chairman's discretion.

*(Following the informal discussions held with St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee on Items 5 to 10 below, Members are reminded that no further debate shall take place. However, Members are requested to either formally note/resolve/recommend Items 5 to 10 below).*

**5. External Quality Assessment of Internal Audit against the Public Sector Internal Audit Standards**

**9 - 16**

Report No: **PAS/FH/17/030**

*(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/17/026)*

**6. Mid-Year Internal Audit Progress Report 2017-2018**

**17 - 26**

Report No: **PAS/FH/17/031**

*(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/17/027)*



	<i>Page No</i>
<b>7. Balanced Scorecards and Quarter 2 Performance Report 2017-2018</b>	<b>27 - 42</b>
Report No: <b>PAS/FH/17/032</b> <i>(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/17/028)</i>	
<b>8. West Suffolk Strategic Risk Register Quarterly Monitoring Report - September 2017</b>	<b>43 - 56</b>
Report No: <b>PAS/FH/17/033</b> <i>(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/17/029)</i>	
<b>9. Work Programme Update</b>	<b>57 - 58</b>
Report No: <b>PAS/FH/17/034</b> <i>(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/17/030)</i>	
<b>10. Building Control - Improvement Plan</b>	<b>59 - 66</b>
Report No: <b>PAS/FH/17/035</b> <i>(For reference purposes, St Edmundsbury Borough Council's Report Number is PAS/SE/17/031)</i>	
<b><u>Part 1(B) – Public</u></b>	
<b>11. Ernst and Young - Annual Audit Letter 2016-2017</b>	<b>67 - 98</b>
Report No: <b>PAS/FH/17/036</b>	
<b>12. Financial Performance Report (Revenue and Capital) Quarter 2 - 2017-2018</b>	<b>99 - 122</b>
Report No: <b>PAS/FH/17/037</b>	
<b>13. Delivering a Sustainable Medium Term Financial Strategy 2018-2021</b>	<b>123 - 132</b>
Report No: <b>OAS/FH/17/038</b>	
<b>14. Mid-Year Treasury Management Report and Investment Activity (April - September 2017)</b>	<b>133 - 142</b>
Report No: <b>PAS/FH/17/039</b>	

**15. Exclusion of the Press and Public**

To consider whether the press and public should be excluded during the consideration of the following items because it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the items there would be disclosure to them of exempt categories of information as prescribed in Part 1 of Schedule 12A of the Local Government Act 1972, and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

**Part 2 – Exempt**

**16. Exempt Appendix 1: Building Control - Improvement Plan (para 3) 143 - 144**

**Exempt Appendix 1** to Report No: **PAS/FH/17/035**

# Performance and Audit Scrutiny Committee



Forest Heath  
District Council

**Minutes** of a meeting of the **Performance and Audit Scrutiny Committee** held on **Thursday 21 September 2017** at **6.00 pm** at the **Council Chamber, District Offices**, College Heath Road, Mildenhall IP28 7EY

Present: **Councillors**

**Chairman** Louis Busuttil

Chris Barker  
Michael Anderson  
John Bloodworth

Christine Mason  
Peter Ridgwell

**By Invitation:**

Stephen Edwards, Portfolio Holder for Resources and Performance

165. **Substitutes**

There were no substitutes declared.

166. **Apologies for Absence**

Apologies for absence were received from Councillors Rona Burt and Simon Cole.

Councillors Andrew Appleby and Colin Noble were also unable to attend.

167. **Minutes**

The minutes of the meeting held on 27 July 2017 were unanimously accepted by the Committee as an accurate record and signed by the Chairman.

168. **Public Participation**

There were no questions/statements from members of the public.

169. **Ernst and Young - 2016-2017 ISA 260 Annual Results Report to those Charged with Governance**

The Committee received Report No: PAS/FH/17/024, which presented the results of Ernst and Young's (EY) audit of the financial statements for 2016-2017.

The report set out those issues they were formally required to report on to those charged with governance.

The report also included the results of the work that EY had undertaken to assess the Council's arrangements to secure value for money in the use of its resources.

The Council's unaudited 2016-2017 statement of accounts, signed by the Council's Chief Finance Officer (Section 151 Officer) on 30 June 2017, had been updated to reflect adjustments recommended by EY from their audit work. Members were advised that the adjustments were all immaterial to the overall financial position of the Council and were in most cases merely presentational changes.

There had been one unadjusted item that had been highlighted in the Annual Results Report relating to the retention of monies held as a result of the acquisition of Greenheath Energy Limited. The sum of £75,000 was immaterial to the overall financial position of the Council and had been corrected in the current financial year 2017-2018.

A copy of the Audit Committee summary was attached at Appendix A, and were presented to the Committee by Mark Hodgson (Executive Director) and Mark Russell (Assistant Manager) from EY. Also attached as Appendix B to the report was a Letter of Representation, on behalf of the Council in accordance with the audit of the financial statement for Forest Heath District Council for the year ended 31 March 2017.

Mr Hodgson confirmed that all work on the audit of the Councils 2016-2017 financial statements had been concluded and no further errors had been identified. Therefore, EY would be issuing an unqualified opinion on the Financial Statements for 2016-2017 this evening (21 September 2017) prior to the statutory deadline of 30 September 2017 stating the Council had proper arrangements in securing economy, efficiency and effectiveness in its use of resources. He wished to thank the Assistant Director (Resources and Performance) and her team who had been helpful and instrumental in making this a very smooth audit for EY.

However, he wished to draw the Committee's attention to a couple of key areas:

- 1) It had been a good audit with few issues;
- 2) On page 5: EY would be working towards a £0.702m materiality;
- 3) On pages 12 – 13: One significant issue had been identified relating to the acquisition of the Solar Farm. It had been agreed that the £75,000 unadjusted error would not be adjusted and had been included in the letter of representation attached at Appendix B to the report.
- 4) Audit Issues: there had been no other unadjusted errors to report.
- 5) Only the standard representations had been requested, which included one specific minor exemption for Greenheath Energy Limited.
- 6) Section 5 (Value for Money): One significant VFM risk related to the purchase of Greenheath Energy Limited. However, EY had gained

comfort from the acquisition and the that the Council had taken appropriate advice at all stages.

- 7) Audit Fee: Additional audit costs had been incurred in respect of audit assurance work on the purchase of Greenheath Energy Limited, which had been agreed with the Assistant Director (Resources and Performance).

Following the presentation discussions were held on Solar Farm and it was noted the Council's project value of £14.15m sat within a reasonable range (£14.02 to £15.28m).

The Chairman, on behalf of the Committee wished to thank the Assistant Director (Resources and Performance) and the Finance Team for their outstanding work and also wished to thank EY for their audit work.

The Portfolio Holder for Resources and Performance also wished to thank EY and the finance team for their outstanding work.

Councillor Chris Barker moved the recommendation, this was duly seconded by Councillor Christine Mason and with the vote being unanimous, it was:

**RESOLVED:** That

- 1) The unqualified opinion on the Financial Statements for 2016-2017 (as set out in the Audit Results Report – Appendix A), issued by the Auditor be noted.
- 2) The Value for Money conclusion stating that the Council had proper arrangements in securing economy, efficiency and effectiveness in its use of resources (Appendix A) issued by the Auditor be noted.
- 3) The Letter of Representation on behalf of the Council (Appendix B) be approved before the Audit Director (EY) issues his opinion and conclusion.
- 4) The Chief Finance Officer, in consultation with the Chairman of the Performance and Audit Scrutiny Committee be given delegated authority to conclude the signing of the accounts.

**170. West Suffolk Local Code of Corporate Governance**

The Committee received Report No: PAS/FH/17/025, which informed members that following the re-issue of the CIPFA Guidance for local authorities, officers had developed a revised West Suffolk Local Code of Corporate Governance.

The West Suffolk Local Code of Corporate Governance was last produced jointly by Forest Heath District Council and St Edmundsbury Borough Council in 2013. Following the updating of the CIPFA/Solace guidance, it was time for both councils to review their Code to make sure it was still effective, transparent and relevant.

Attached at Appendix A to the report was the proposed draft West Suffolk Local Code of Corporate Governance.

The report sought views from the Performance and Audit Scrutiny Committee on the draft Code, before it was presented to Cabinet and to Council for approval.

The Committee considered the draft Code and did not identify any areas where it felt the document could be strengthened.

Councillor Michael Anderson moved the recommendation, this was duly seconded by Councillor Peter Ridgwell and with the vote being unanimous, it was:

**RECOMMENDED:**

That subject to the approval of Council the West Suffolk Local Code of Corporate Governance, attached as Appendix A to Report No: PAS/FH/17/025, be adopted.

**171. West Suffolk Annual Governance Statement 2016-2017**

The Committee received Report No: PAS/FH/17/026, which sought members approval of the draft Annual Governance Statement 2016-2017, attached as Appendix A.

The Annual Governance Statement provided stakeholders with the assurance that the Council had operated within the law and that they had met the requirements of the Accounts and Audit Regulations 2015. The Annual Governance Statement accompanied the Statement of Accounts.

The document had been prepared by an Officer Group and was presented as a joint statement for St Edmundsbury Borough Council and Forest Heath District Council to reflect both councils working together and sharing services across West Suffolk.

The Assistant Director (Resources and Performance) informed the Committee that the West Suffolk Annual Governance Statement was presented in the usual format. However, she wished to draw the Committee's attention to two key areas set out in Appendix A:

- 1) Page 15 (paragraph 4.2): there were no significant governance issues to disclose for 2016-2017; and
- 2) Page 15 (section 5): set out the focus for its governance arrangements for 2017-2018.

The Committee was asked to review and approve the draft Annual Governance Statement prior to it being signed by the Chief Executive and Leaders of the councils.

The Committee considered the draft West Suffolk Annual Governance Statement for 2016-2017 and did not raise any issues.

Councillor Christine Mason moved the recommendation, this was duly seconded by Councillor Chris Barker and with the vote being unanimous, it was

### **RESOLVED**

That the West Suffolk Annual Governance Statement for 2016-2017, attached as Appendix A to Report No: PAS/FH/17/026 be approved for signing by the Chief Executive and the Leader of the Council.

#### **172. 2016-2017 Annual Statement of Accounts**

The Committee received Report No: PAS/FH/17/027 which sought members approval of the 2016-2017 Statement of Accounts, attached as Appendix A, in accordance with powers delegated to it under the Council's Constitution.

EY had commenced the audit of the Council's draft Statement of Accounts in August 2017, with a view to its completion prior to the 30 September 2017 deadline for publication. The results of EY's review of the accounts were provided in the Annual Results Report, which was included on the Committee's agenda (PAS/FH/17/024). The attached Statement of Accounts (Appendix A) had been amended as appropriate, to take on board issues raised by the audit process up to the date of distribution.

EY had confirmed that the audit of Forest Heath District Council had been concluded and he would be issuing an unqualified opinion on the financial statements and the value for money conclusion that the Council had made the appropriate arrangements to secure economy, efficiency and effectiveness in the Council's use of resources this evening (21 September 2017). This meant the Committee was in a position to sign the 2016-2017 Statement of Accounts off.

The Assistant Director (Resources and Performance) informed the Committee that from April 2017 the Accounts and Audit Regulations had changed requiring the Council to submit draft accounts to its external auditors by 31 May each year, with member scrutiny and approval of the Accounts required once the audit had been concluded by 31 July each year. Therefore, this change will affect the 2017-2018 Statement of Accounts.

She then drew the Committee's attention to a couple of key areas set out in Appendix A:

- 1) There had been no change to the general fund budget since it was reported to the Committee on 27 July 2017.
- 2) Pages 4 and 5 – Material items: this related to the Home of Horseracing which had now been transferred to the National Horseracing Museum and the acquisition of Greenheath Energy Limited.

- 3) Page 16 – Balance Sheet: Long term liabilities related to pension liability.

Finally, she wished to thank the Finance Team for all their work involved in pulling the accounts together and also thanked EY.

The Committee scrutinised the draft accounts and did not raise any issues.

The Committee wished to convey its thanks and commended the Assistant Director (Resources and Performance) and her team in the work involved in closing the accounts.

Councillor John Bloodworth moved the recommendation, this was duly seconded by Councillor Peter Ridgwell and with the vote being unanimous, it was

**RESOLVED:** That

- 1) The 2016-2017 Statement of Accounts, attached as Appendix A to Report No: PAS/FH/17/027 be approved in accordance with the powers delegated to it under the Council's Constitution.
- 2) The Chairman of the Performance and Audit Scrutiny Committee signs the certification of the 2016-2017 Statement of Accounts on behalf of the Committee.
- 3) The Chief Finance Officer, in consultation with the Portfolio Holder for Resources and Performance, be given delegated authority to make any presentational and non-material changes that may be required up to the date of publication.

### 173. **Annual Corporate Environmental Statement (2016-2017)**

The Committee received Report No: PAS/FH/17/028 which reported on the work which had been undertaken during 2016-2017 to improve the environmental performance in West Suffolk.

Attached at Appendix B to the report was the Annual Environmental Statement covering environmental performance in 2016-2017. This Statement covered the operations of both St Edmundsbury Borough Council and Forest Heath District Council and the Leisure Trusts in West Suffolk in respect of energy and water consumption and renewable energy generation.

Attached at Appendix A was a supporting dashboard.

Officers had started a review of key targets, in particular with respect to Greenhouse Gas emissions, in the light of wider discussion with other public sector partners. The outcome of the review and any recommended changes would form part of the future corporate planning process.

There were ongoing resource implications to deliver this work with environmental improvement generally delivering financial returns through



reduced resource use. These continue to be reviewed and considered in the light of the Council's Medium Term Financial Strategy.

The Committee considered the Environmental Statement and had no issues to raise. However, members noted the good news story that the Council was now "carbon neutral".

There being no decision required, the Committee **noted** the report.

**174. Work Programme Update**

The Committee received Report No: PAS/FH/17/029, which provided information on the current status of the Committee's work programme. Attached as Appendix 1 to the report were details of items scheduled to be presented to the Committee during 2017-2018.

The Assistant Director (Resources and Performance) informed the Committee of minor changes to its work programme in that EY would now be presenting the "Annual Certification Report 2016-2017" and the "External Audit Plan and Fees 2017-2018 and 2018-2019 Indicative Fees" to the Committee's January 2018 meeting instead of May 2018.

The Committee considered its work programme, and there being no decision required, **noted** the contents of the report.

The Meeting concluded at 6.26 pm

**Signed by:**

**Chairman**

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# Informal Joint Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>External Quality Assessment of Internal Audit against the Public Sector Internal Audit Standards</b>	
<b>Report No:</b>	<b>PAS/FH/17/030</b>	
<b>Report to and date:</b>	Performance and Audit Scrutiny Committee	29 November 2017
<b>Portfolio holder:</b>	Stephen Edwards Portfolio Holder for Resources and Performance <b>Tel:</b> 01799 530325 <b>Email:</b> <a href="mailto:stephen.edwards@forest-heath.gov.uk">stephen.edwards@forest-heath.gov.uk</a>	
<b>Lead officer:</b>	Jon Snares Service Manager (Internal Audit) <b>Tel:</b> 01284 757239 <b>Email:</b> <a href="mailto:jon.snares@westsuffolk.gov.uk">jon.snares@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	This report advises Members of the relevant requirements in respect of an external quality assessment of internal audit against the Public Sector Internal Audit Standards. The report covers the form that the assessment will take, how the assessor was chosen, what the assessment involves, what it will tell us, and when the results of the assessment will be reported.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  It is recommended that Members <b>note</b> the contents of this report.	

<b>Key Decision:</b>  <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>		
<b>Consultation:</b>	<ul style="list-style-type: none"> <li>The form of the external assessment was agreed in consultation with the Assistant Director Resources and Performance (as S151 Officer).</li> </ul>		
<b>Alternative option(s):</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>		
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>Lowest cost provider chosen to perform external assessment</li> </ul>		
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>		
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>		
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>		
<i>Are there any <b>equality</b> implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>		
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
The internal audit service may not be operating in accordance with the Public Sector Internal Audit Standards, which may in turn reduce the effectiveness of the service.	Low	Annual internal self-assessments are undertaken to assess conformance with the Public Sector Internal Audit Standards, high level results of which are reported to Performance and Audit Scrutiny Committee.	Low
<b>Ward(s) affected:</b>		N/A	
<b>Background papers:</b>		N/A	
<b>Documents attached:</b>		<b>Appendix A</b> – External Quality Assessment of Internal Audit against the Public Sector Internal Audit Standards	

## **1. Key issues and reasons for recommendation**

### **1.1 Background Information**

1.1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (the 'Standards'), which have been in place since April 2013 (revised April 2013 and April 2017). The objectives of the Standards are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning

1.1.2 The Standards require that, in order to independently assess conformance with these Standards, an external assessment of the internal audit function must be conducted at least once every five years, and the first such assessment must be completed by April 2018.

1.1.3 The purpose of this report is to inform Members regarding:

- requirements of the Standards in respect of the external assessment of the internal audit function, including the form that the assessment will take and how the assessor was chosen;
- what the assessment involves; and
- what the assessment will tell us, and when and how the results of the assessment will be reported.

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## **External Quality Assessment of Internal Audit against the Public Sector Internal Audit Standards**

### **1. Introduction**

1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (the 'Standards'), which have been in place since April 2013 (revised April 2016 and April 2017). The objectives of the Standards are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

1.2 The Standards require that, in order to independently assess conformance with these Standards, an external assessment of the internal audit function must be conducted at least once every five years, and the first such assessment must be completed by April 2018.

1.3 The purpose of this report is to inform Members regarding:

- requirements of the Standards in respect of the external assessment of the internal audit function, including the form that the external assessment will take and how the assessor was chosen
- what the assessment involves
- what the assessment will tell us, and when and how the results of the assessment will be reported

### **2. Requirements of the Standards in respect of the external assessment of the internal audit function**

2.1 The Standards require that:

- the external assessment must be conducted by a qualified, independent assessor or assessment team from outside the organisation, and that
- the Service Manager (Internal Audit) should discuss with the Performance and Audit Scrutiny Committee:
  - the form of external assessments, and

- the qualifications and independence of the external assessor or assessment team, including any potential conflicts of interest

These requirements are considered below.

### **The form that the external assessment will take**

- 2.2 External assessments may be achieved through a full external assessment, or a self-assessment with independent external validation. Discussions between the Service Manager (Internal Audit) and the Section 151 Officer (Assistant Director - Resources and Performance) have concluded that a full assessment should be undertaken, based on the following factors:
- a full assessment provides a greater level of assurance of the quality of internal audit
  - a full assessment will include suggestions and recommendations for improvement rather than merely list any areas of non-conformance with the Standards
  - other Suffolk councils who have had an external assessment have opted for the full assessment

### **How the external assessor was chosen**

- 2.3 Quotations and service assessment specifications were requested from three organisations, which were identified through the following:
- feedback from other audit managers who had undergone EQA reviews
  - internal audit forums
  - internet searches
  - the Service Manager (Internal Audit's) professional knowledge of this area.
- 2.4 Responses received were then subjected to pass / fail tests regarding whether the potential providers were considered to be both:
- ✓ Qualified – the Standards define this as meaning that competence is demonstrated in the professional practice of internal auditing and the external assessment process. The Standards state that competence can be demonstrated through a mixture of experience and theoretical learning, and that experience gained in organisations of similar size, complexity, sector or industry and technical issues is considered to be more valuable than less relevant experience. Also, the Standards expect that the Service Manager (Internal Audit) will use his professional judgement when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.
  - ✓ Independent – the Standards state that this means not having either an actual or a perceived conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.
- 2.5 The potential providers who passed both of the above tests were then scored against the following criteria:
- ✓ Relevant experience and competence – has the provider the right level of internal audit experience in similar organisations, in terms of both internal audit management and also the performance of external assessments?



- ✓ Price – best price
- ✓ Quality / added value – what value is likely to be added?
- ✓ Efficiency of process – how resource intensive will the exercise be?
- ✓ Reputational weight – CIPFA and IIA are the standards setters and as such are the 'experts' in the field

2.6 The outcome of the above assessment was that the provider who scored highest and was therefore selected as our external assessor was Tilia Solutions Ltd. It is also worth noting that this provider has also been used by some other Suffolk councils who have all given favourable feedback. This provider also represented the least cost option.

2.7 As required by the Standards we have confirmed that the lead assessor for Tilia Solutions Ltd is appropriately qualified and independent. The assessor:

- ✓ is CIPFA qualified
- ✓ has undertaken more than twenty Standards reviews, including six district councils
- ✓ is currently the lead Standards reviewer for CIPFA having developed the methodology they use
- ✓ has worked in local government as both a head of audit and a Section 151 Officer
- ✓ is independent from the councils and has no current connections that would compromise that independence
- ✓ has undertaken Standards reviews at other Suffolk councils

### **3. What the assessment involves**

3.1 The assessor will follow a structured approach which involves the following elements:

- Interviews with key stakeholders to understand how the audit process works in reality and how it is perceived by those being audited. Those being interviewed are currently expected to include:
  - Chairs of the Performance and Audit Scrutiny Committees
  - Chief Executive
  - Section 151 Officer (Assistant Director - Resources and Performance)
  - Monitoring Officer
  - Service Manager (Finance and Performance)
  - Service Manager (ICT)
  - A selection of auditees
  - External Auditor
  - Service Manager (Internal Audit)
  - The internal audit team
- A review of documents to understand how the internal audit function reports, and what is reported including the Annual Internal Audit Report, the Annual Internal Audit Plan, and the Internal Audit Charter
- A review of audit files and working papers

**4. What the assessment will tell us, and when and how the results of the assessment will be reported**

- 4.1 The Standards aim to promote continued improvement in the professionalism, quality and effectiveness of internal audit services and the external assessment is a key element of this. Therefore, it is expected that the assessment will provide further assurance to Members and senior officers that the internal audit function is effective and provides a professional and quality service that operates in accordance with the Standards. This will also provide further assurance that the Service Manager (Internal Audit)'s annual audit opinion can be relied upon as a key source of evidence in the production of the Annual Governance Statement.
- 4.2 The results of the external assessment will include the assessor's conclusions regarding the level of conformance to each of the Standards as well as any relevant recommendations and suggestions for improvement. These results will be reported to Performance and Audit Scrutiny Committee in May 2018.

# Informal Joint Performance and Audit Scrutiny Committee



**Forest Heath**  
District Council

<b>Title of Report:</b>	<b>Mid-Year Internal Audit Progress Report 2017-2018</b>	
<b>Report No:</b>	<b>PAS/FH/17/031</b>	
<b>Report to and date/s:</b>	Performance and Audit Scrutiny Committee	29 November 2017
<b>Portfolio holder:</b>	Stephen Edwards Portfolio Holder for Resources and Performance <b>Tel:</b> 01799 530325 <b>Email:</b> <a href="mailto:stephen.edwards@forest-heath.gov.uk">stephen.edwards@forest-heath.gov.uk</a>	
<b>Lead officer:</b>	Jon Snares Service Manager (Internal Audit) <b>Tel:</b> 01284 757239 <b>Email:</b> <a href="mailto:jon.snares@westsuffolk.gov.uk">jon.snares@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	This report advises Members of the work of the Internal Audit Section for the first half of 2017/18 and gives Members a flavour of the variety of corporate projects and activities which are supported through the work of the team. The report also provides an update on progress made against the 2017/18 Internal Audit Plan previously approved by this committee.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  It is recommended that Members are asked to <b>note</b> the contents of this report, including progress made against the 2017/18 Internal Audit Plan.	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>		<ul style="list-style-type: none"> <li>The Internal Audit Plan was compiled in consultation with the Assistant Director Resources and Performance (as S151 Officer), Leadership Team, and the external auditors; and</li> <li>Consultation with key officers is also carried out during the audit process and in the production of individual internal audit reports and follow up work.</li> </ul>	
<b>Alternative option(s):</b>		• N/A	
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
Internal controls within the council may not be efficient and effective and as a result the council may not be identifying significant weaknesses that could impact on the achievement of the council's priorities and/or lead to fraud, financial loss or inefficiency.	Medium	Members receive and approve the Internal Audit Plan and receive a progress report during the year.  External Audit reviews the work of Internal Audit and internal control arrangements.	Low
<b>Ward(s) affected:</b>		N/A	
<b>Background papers:</b>		N/A	
<b>Documents attached:</b>		<b>Appendix A</b> – Mid-Year Internal Audit Progress Report 2017/18	

## **1. Key issues and reasons for recommendation**

### **1.1 Background Information**

- 1.1.1 The Public Sector Internal Audit Standards require the Service Manager (Internal Audit) to report periodically to senior officers and committee on Internal Audit's performance relative to its Audit Plan. Reporting should also include significant risk exposures and control issues where relevant, including fraud risks and governance issues. The Performance and Audit Scrutiny Committee is the designated committee to receive these periodic reports.
- 1.1.2 The purpose of this report is to update Members on progress made against the 2017/18 Audit Plan (approved by this committee in May 2017), and also provide a flavour of the work undertaken in the year to date.

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## **Mid-Year Internal Audit Progress Report 2017/18**

### **1. Introduction**

- 1.1 The Public Sector Internal Audit Standards require the Service Manager (Internal Audit) to report periodically to senior officers and committee on Internal Audit's performance relative to its Audit Plan. Reporting should also include any significant risk exposures and control issues where relevant, including fraud risks and governance issues. The Performance and Audit Scrutiny Committee is the designated committee to receive these periodic reports.
- 1.2 The purpose of this report is to update Members on progress made against the 2017/18 Audit Plan (approved by this committee in May 2017), and also provide a flavour of the work undertaken in the year to date.

### **2. Review of Internal Audit work for the seven months to October 2017**

- 2.1 An overview of the work of Internal Audit for the first seven months of 2017/18, and progress made towards achieving the Audit Plan for the year, is set out below.

#### **Corporate and Consultancy Work**

- 2.2 A similar approach to last year's Internal Audit Plan is being taken in that as well as continuing to perform the usual statutory fundamental systems audits and other audit responsibilities, Internal Audit is also performing corporate and consultancy style work. This approach recognises that early audit input to activities can often help prevent or bring early resolution to internal control issues, and also bring audit skills and increase available resource on significant corporate projects. For 2017/18 to date the team has assisted in the following work areas:
  - production of the West Suffolk Annual Governance Statement and its associated documents;
  - West Suffolk Strategic Risk Register;
  - information governance, including:
    - conducting early morning walk rounds of the main council offices and depots with feedback provided to the Officer Information Governance Working Group on any identified weaknesses that could result in data security risks; and

- carrying out record retention spot checks to ascertain if records within service areas are being retained, destroyed or disposed of in accordance with the Records Management Guidance.
- carrying out a review looking at project feasibility spend to determine whether project procurement activity is conducted with openness, probity and accountability and that clear contractual agreements exist as appropriate. The review also sought to identify if improvements could be made to the way in which this procurement activity takes place or improvements and / or changes to the procurement framework;
- undertaking a piece of work to consider if improvements could be made to how commissioned services are currently engaged and managed by the councils, and to determine whether there are opportunities for increasing learning and skills transfer to be brought into the councils following their use;
- conducting a General Data Protection Regulation (GDPR) health check to consider the potential impact of the new Regulation on the councils and any steps that need to be taken to ensure compliance;
- inputting to the Election Project Team to look at the delivery of elections and electoral registration;
- working with Waste Enforcement Officers to design more streamlined processes for reporting and taking action against fly tipping and abandoned vehicles. It should be noted that these new processes cannot be introduced until the trade waste project has been concluded;
- performing the project assurance role for the Mildenhall Hub Project and in doing so, consider for each stage of the project whether it is on track and in accordance with agreed governance;
- carrying out a piece of work reviewing a number of licensing processes to ensure that they are achieving the best experience for the customer and are carried out in the most efficient way for the councils;
- reviewing and commenting upon the new Procurement Card Policy and Guidance produced by Finance; and
- other work on behalf of the Assistant Director (Resources and Performance) including financial due diligence related to areas of potential council investment, as well as data gathering / research regarding the councils cash collection arrangements.

### 2.3 During the year to date Internal Audit has also:

- responded to around 30 requests for financial vetting or other related financial advice including assessments of organisations' financial suitability to undertake specified contracts for the councils; and
- continued to provide advice to service areas on internal controls.



## **Fee Earning Work**

- 2.4 Internal Audit is continuing to undertake fee earning work during 2017/18 and by the end of the financial year this is likely to result in approximately £11,000 - £13,000 of income being earned. Fee earning work consists of the following:
- audit of the council tax, housing and council tax benefits, and housing benefit overpayments systems at the Anglia Revenues Partnership (ARP) on behalf of East Cambridgeshire District Council and Breckland Council;
  - fee earning grant certification work for the following organisations to check that the conditions of the relevant specific grant determinations have been complied with:
    - New Anglia LEP - to provide assurance to the Department for Business Innovation & Skills (Growth Hub Funding); and
    - Suffolk County Council - to provide assurance to the Trading Standards Institute (Safety at Ports and Borders Team and Single Point of Contact for Border Controls)
- 2.5 A service level agreement has been agreed with the ARP partners to provide a more streamlined internal audit review of ARP. This has resulted in the West Suffolk Internal Audit team undertaking the annual audit of Housing Benefit, Council Tax and Housing Benefit Overpayments for the seven authorities. The East Suffolk Internal Audit team are responsible for performing the Business Rates (NNDR) review with the Fenland Internal Audit team performing the review of ARP Enforcement.
- 2.6 Further service level agreements are in place between West Suffolk and Breckland Council, and West Suffolk and Local Government Shared Services (on behalf of East Cambridgeshire District Council) to undertake the ARP work on their behalf.

## **Main Financial Systems (statutory audits which must be undertaken every year)**

- 2.7 The following audits must be undertaken every year as these form the foundations of the annual internal audit opinion, the status of each of these audits for 2017/18 as at the end of October 2017 is shown in brackets:
- Council Tax (in progress)
  - Housing and Council Tax Benefits (in progress)
  - Housing Benefits Overpayments (in progress)
  - Car Parks Cash Handling (in progress)
  - Debtors (in progress)
  - Creditors (in progress)
  - Treasury Management (in progress)
  - Non Domestic Business Rates (yet to commence – audit being undertaken by East Suffolk)
  - Payroll (yet to commence)
  - ARP Enforcement (yet to commence – audit being undertaken by Fenland DC)
  - Main Accounting System (yet to commence)

2.8 At the time of writing this report, as can be seen at paragraph 2.7 above, the majority of the core financial systems / fundamental review work audits are currently in progress, while the remaining audits have not yet commenced. This is normal for this time of the year as these audits generally need to cover as much of the financial year as possible and are therefore not normally commenced until at least the third quarter. The work undertaken on these audits forms the basis of the annual internal audit opinion which will be reported to Performance and Audit Scrutiny members in the 2017/18 Annual Internal Audit Report in May 2018.

### **Corporate and Business Area Audits**

2.9 This work includes reviewing internal controls within departmental systems, and other non-main financial systems audits.

2.10 During the first seven months of the financial year 2017/18 the following audit has been carried out and issued as a final:

- Cyber Security- the purpose of this audit was to review the design and effectiveness of cyber security arrangements across West Suffolk. A *substantial assurance* opinion was provided, however, actions have been agreed to further strengthen arrangements.

2.11 The following audits are at draft report stage:

- Procurement Compliance – this audit review is being undertaken to determine whether contract procedure rules are being followed and that value for money can be demonstrated;
- Contract Extensions – this audit review is being carried out to ensure that the councils are only taking the option of a contract extension in appropriate circumstances, based on satisfactory performance and continued value for money; and
- Cash Handling Spot Checks - unannounced visits have been undertaken at a number of cash handling locations (leisure sites) within St Edmundsbury to establish the adequacy of internal controls over receipting, reconciliation and banking of monies received.

The results of these audits will be reported to Performance and Audit Scrutiny members in the 2017/18 Annual Internal Audit Report.

2.12 The following audits, included within the 2017/18 Audit Plan are yet to commence:

- HMRC – Off Payroll Engagement (IR35) – the aim of this audit will be to check that payments to consultants, contractors and interim payments are treated correctly for tax and national insurance purposes to ensure HMRC regulations and agreements are being complied with.
- Declarations of Interests – assessment of the arrangements in place to ensure that any relevant employee interests are declared and appropriately managed.

- Gifts and Hospitality – assessment of the arrangements in place for promoting appropriate conduct in respect of gifts and hospitality.

### **Follow-Up Work**

2.13 Follow-up work is undertaken to check the extent to which agreed recommendations / actions have been implemented in respect of previous audits undertaken. Where this follow-up work relates to a core financial system or fundamental review work, this will form an integral part of the annual audit for that area. However, where this relates to a non-fundamental system a separate follow-up audit will be undertaken and a follow-up audit report issued. During the first half of the year, a separate follow up audit report was issued in respect of the following:

- Payment Card Industry Data Security Standards – the review concluded that one action remains outstanding to ensure that staff receiving credit and debit card payments are made aware of their responsibilities by completing the e-learning training module.

### **Other Work**

2.14 Other audit related work undertaken during the year to date includes the following.

2.15 Provision of an Independent Examiners Report on the West Stow Anglo Saxon Village Trust accounts for the year ending 31 March 2017, thereby providing independent assurance on the accounts provide by the Finance team for the charity's trustees.

2.16 The Public Sector Internal Audit Standards (the Standards) require that internal audit 'must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity'. An important objective of this 'programme' is to check internal audit's conformance with the Standards - in order to achieve this, a series of quick audits reviewing conformance with the Standards has commenced. The first of these audit reviews – on the planning of audit reviews (Engagement Planning) – has been completed with a number of agreed actions relating to improved evidencing of internal processes within the audit team.

## **3. Probity**

3.1 Councils are required to participate in the biennial National Fraud Initiative (NFI) which is run by the Cabinet Office. This is an exercise involving data matching of records such as benefits, payroll, pensions, student awards, housing waiting list, taxi driver licences, personal alcohol licences, parking permits and creditor payments. Internal Audit takes a leading role in co-ordinating this exercise working across a number of service areas, as well as ARP, to support those staff to provide their services' data so that they can then investigate and record the results of their matches.

3.2 The data for the council tax exercise which focussed on single person discounts and those turning 18 years of age was released in December 2016. A review of these matches continues, but to date, has identified:

- FHDC: a total of 13 frauds, producing £5,979.08 of savings which is being recovered; and
- SEBC: a total of 137 errors and frauds, producing £111,752 in savings with £60,027 being recovered.

The reviewing of the matches is continuous across the 7 partner authorities by the ARP Fraud Team, with the majority of SEBC being completed and FHDC now being looked into.

3.3 The review of housing benefit, payroll, creditor, licensing, market trader and housing waiting list matches released in January 2017 continues. To date the following has been identified:

- FHDC: 1 error (£6,498) which is a duplicate creditor payment and had already been returned by the supplier; and
- SEBC: 4 errors (£34,072) which are duplicate creditor payments, dating back to 2013 and had already been identified by internal processes. 2 overpayments (£492) have also been identified and are being recovered through housing benefit.

Housing benefit frauds are now passed to the Single Fraud Investigation Service (SFIS). In 2017, 8 FHDC and 5 SEBC cases from the NFI exercise have been referred to the SFIS to investigate.

3.4 A proactive approach is being taken with corporate anti-fraud work, including:

- monthly intranet messages;
- completion of various checklists which concluded that the risk of fraud is generally deemed to be low, however, the audit plan will continue to include work to support these findings; and
- completion of the CIPFA Fraud and Corruption Tracker survey which examines the levels of fraud and corruption detected across the public sector, the results of which will be used to direct future audit and proactive fraud work.

#### **4. Resources**

4.1 The staff complement of the team is currently 3.57 Full Time Equivalents (FTEs) comprising of the Service Manager Internal Audit (1 FTE), two Senior Auditors (2 FTEs), and an Auditor (0.57 FTE).

#### **5. Conclusions**

5.1 The Service Manager (Internal Audit) currently considers that progress on the core financial systems audits (paragraph 2.7 refers), as well as other audit responsibilities, is in line with expectations and therefore the Audit Plan should be substantially completed on time, resulting in an ability to deliver a robust annual audit opinion in the 2017/18 Annual Internal Audit Report.

5.2 There are no significant risk exposures or control issues arising from the audit work undertaken during the period that need to be specifically drawn to the attention of the Performance and Audit Scrutiny Committee.

# Informal Joint Performance and Audit Scrutiny Committee



<b>Title of Report:</b>	<b>Balanced Scorecard and Quarter 2 Performance report 2017-2018</b>	
<b>Report No:</b>	<b>PAS/FH/17/032</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	29 November 2017
<b>Portfolio holder:</b>	Stephen Edwards Portfolio Holder for Resources and Performance <b>Tel:</b> 01799 530325 <b>Email:</b> <a href="mailto:stephen.edwards@forest-heath.gov.uk">stephen.edwards@forest-heath.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Assistant Director (Resources and Performance) <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	This report sets out the West Suffolk Balanced Scorecards being used to measure the Council's performance for 2017-18 and an overview of performance against those indicators for the second quarter of 2017-18.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  Members are requested to review the Council's performance using Balanced Scorecards for Quarter 2, 2017-18 and identify any further information required or make recommendations where remedial action or attention is required to address the Council's performance.	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>		<ul style="list-style-type: none"> <li>This report has been prepared in consultation with all relevant staff and Leadership Team.</li> </ul>	
<b>Alternative option(s):</b>		<ul style="list-style-type: none"> <li>The option of doing nothing may result in poor performance, monitoring performance can highlight where remedial action may be needed</li> </ul>	
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li>While there are no direct financial or budget implications arising from this report, it is possible that any recommendations of the Committee may have some resource implications. For example, resources may need to be reallocated to improve performance in a future period.</li> </ul>	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li>There are no legal implications from this report. Poor performance levels may impact on the Council's ability to implement its policies or high-level strategies.</li> </ul>	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Failure to achieve optimum or target performance which may impact on resources	High	Regular reporting of performance to Joint Leadership Team, Portfolio Holders and to PASC can highlight where remedial action may be needed.	Medium
<b>Ward(s) affected:</b>		All Ward	
<b>Background papers:</b>		<a href="#">PASC - May 2017 - Item 8 - Balanced Scorecard Targets 2017-18</a>	

**Documents attached:**

**Appendix A** – Resources and Performance Balanced Scorecard

**Appendix B** – Families and Communities Balanced Scorecard

**Appendix C** – Human Resources, Legal and Democratic Balanced Scorecard

**Appendix D** – Planning and Regulatory Balanced Scorecard

**Appendix E** – Operations Balanced Scorecard

## **1. Key issues and reasons for recommendation(s)**

### **1.1 Performance Measures**

1.1.1 Attached at appendices A to E are the current Balanced Scorecards (based on Assistant Director area) which present Quarter 2 2017/18 performance. Unless otherwise stated, all performance figures on the scorecards are from a West Suffolk perspective. Where the performance for either individual Council is significantly different from the West Suffolk figure that it would have a different Red-Amber-Green (RAG) rating, details of this are highlighted in the comments box.

1.1.2 The information included in the report has been provided by Assistant Directors and service managers. Most indicators report performance against an agreed target using a traffic light system with additional commentary provided for performance indicators below optimum performance. Other KPIs report a data value only (e.g. no target performance) in order to track performance over time.

### **1.2 Quarter 2 Performance**

1.2.1 Within Resources and Performance, the “% of non-disputed invoices paid within 30 days” corporate indicator across both councils shows we have achieved positive results in the second quarter, reporting 94% of invoices paid within 30 days. The finance and performance team will continue to work with service areas to try and improve performance against this indicator to achieve the 95% target, with monthly business intelligence reports being sent out with details of all invoices processed.

#### **1.2.2 Enforcement cases on hand**

Members previously requested further information regarding the number of enforcement cases on hand and the general upward trend of this figure over recent months. The on hand figure shown on the Balanced Scorecard has come down slightly since the last report with 356 cases being on hand - at the time of writing this report this has been reduced further to 342 cases.

This number obviously varies based on what new cases come in, as well as what complex cases may be keeping the team busy in any given month - particularly where officers may be involved in formal enforcement notice appeals or prosecution work.

It may be useful for Members to note the reasons for enforcement cases being closed down from a sample of 328 recent cases:

No Breach/Permitted Development – 43%  
Not expedient to enforce – 20%  
Planning application invited and approved – 17%  
Breach remedied without formal action – 15%  
Notice issued and complied with – 1%  
Prosecution – 1%  
Complaint referred to other services – 3%



These figures bear out the general approach of our Enforcement Team in trying to resolve complaints without recourse to expensive and time consuming formal and legal processes – 32% of cases being resolved either informally or through the planning application process. It also highlights the large amount of complaints investigated that do not relate to breaches of planning control. Whilst not all complaints received are logged as such if the alleged breach clearly isn't a breach, many complaints require investigating before non-breach becomes apparent. The enforcement team works hard, particularly with Parish Councils and through the Councils' Parish Forum to provide training relating to breaches of planning control to help triage possible complaints.

The Council has been investigating the best way to notify Ward Members of ongoing enforcement matters in their area while making sure the authority complies with Data Protection laws, which are also due to be strengthened next year. There are data protection challenges with publishing the whole live caseload list for Members. To meet both these aims officers are now looking at whether planning software can be used to automatically notify ward members when a complaint is logged on the system

### **1.2.3 Validation figures and Pre-application enquiry service**

The Planning Technical Support team has been working hard to reduce the number of applications waiting to be validated and the backlog has reduced significantly. However, a large number of the applications being processed are still invalid when submitted to the department. Planning Officers and Technicians are working hard to address this, particularly in relation to our Pre-application Enquiry service which can provide applicants with more information about getting the right submission from the start. Of the 800 applications received between 1 July 2017 and 30 Sept 2017, 52% of them were invalid when first submitted – only 13% of the invalid applications received pre-application advice, which is a good indication that the pre-application service is working well, although improvements can evidently still be made.

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		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
RESOURCES	FINANCIAL	Year end forecast variance (under) / over spend against budget - FHDC	£142,824.00	-	M	Cumulative		£108k NonDistributed Costs, £21k Corporate, £12k ICT. As detailed in the Budget Monitoring Report	CUSTOMERS	SATISFACTION	Number of formal complaints	20	No Target	B	Period only		Twenty complaints for ARP. Three Benefits, Two Business Rates, Fifteen for Council Tax. Apologies issued.
		Year end forecast variance (under) / over spend against budget - SEBC	£286,809.00	-	M	Cumulative		£246k NonDistributed Costs, £23k Corporate, £18k ICT. As detailed in the Budget Monitoring Report			Number of formal compliments	0	No Target	B	Period only		No compliments
		Income generated from SLAs	-£359,615.24	-£343,928.73	M	Cumulative				Organisational year end forecast variance (under) / over spend against budget - FHDC *	£0.00	-	M	Cumulative		£142k R&P, £41k HRL&D, (£19k) F&C, £29k P&R, (£170k) Ops, (£25k Grth) . As Detailed in the Budget Monitoring Report.	
		% return on the investment of reserves and balances - FHDC	0.58	0.75	Q	Cumulative		£59k interest received to date, against a budget of £90k. Full year budget totals £181k		Organisational year end forecast variance (under) / over spend against budget - SEBC *	-£126,666.00	-	M	Cumulative		£287k R&P, £48k HRL&D, £62k F&C, (£60k) P&R, (£486k) Ops, £22k Grth . As Detailed in the Budget Monitoring Report.	
		% return on the investment of reserves and balances - SEBC	0.58	0.55	Q	Cumulative		£177k interest received to date, against a budget of £127k. Full year budget totals £251k		Total income generated by organisation £ *	-£15,786,637.86	-£15,203,554.22	M	Cumulative		0	
	FINANCE & PERFORMANCE	% of non-disputed invoices paid within 30 days	85.00	95.00	M	Period only		80 Undisputed invoices processed in September		% of total non-disputed invoices paid within 30 days *	93.99	95.00	M	Cumulative		1148 Undisputed invoices processed in Septerm	
		% of debt over 90 days old	93.00	10.00	M	Cumulative		Total debt is £70k and 65K is over 90 days old		% of total debt over 90 days old *	74.10	10.00	M	Cumulative		Total debt is £731k, 541k is over 90 days.	
		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
INTERNAL PROCESSES	FINANCE	% of all payments made to us by BACS, Direct Debit, online as opposed to cash & cheque *	94.11	100.00	M	Period only			OUTCOMES	ARP	% Collection of Council Tax - FHDC	56.94	57.11	M	Cumulative		
		ICT	% of ICT Helpdesk calls completed 'on time' as defined in SLAs	94.30	90.00	Q	Period only				2136 Standard help desk calls completed on time out of 2266	% Collection of Council Tax - SEBC	57.97	57.79	M	Cumulative	
	ARP		Days taken to process Housing Benefit new claims and changes - FHDC	8.50	8.00	M	Period only					% Collection of Business Rates - FHDC	56.98	55.58	M	Cumulative	
		Days taken to process Housing Benefit new claims and changes - SEBC	7.95	8.00	M	Period only					% Collection of Business Rates - SEBC	58.87	59.11	M	Cumulative		
										BUSINESS RATES	Business Rate Growth - FHDC	23,774,867	23,031,392	M	Cumulative		
											Business Rate Growth - SEBC	43,785,240	42,479,078	M	Cumulative		

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FY 2017 - 2018

WEST SUFFOLK - HUMAN RESOURCES, LEGAL & DEMOCRATIC SERVICES BALANCED SCORECARD

APPENDIX C

MONTH Sep 17 QUARTER Jul 17 - Sep 17

HALF YEARLY

Apr 17 - Sep 17

\* These indicators are at organisational level ANNUAL

Apr 16 - Mar 17

		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
RESOURCES	FINANCIAL	Year end forecast variance against budget - FHDC	£41,538.00	-	M	Cumulative		Forecast includes share of GDPR costs which are being covered within the overall budget position but noted here for Corporate spend	CUSTOMERS	SATISFACTION	Number of formal complaints	3	No target	B	Period only		This year we have had the referendum, county election and general election, plus 12 by-elections, which resulted in 3 step 1 complaints in the election area which have been investigated and resolved
		Year end forecast variance against budget - SEBC	£48,216.00	-	M	Cumulative		Forecast includes share of GDPR costs which are being covered within the overall budget position but noted here for Corporate spend			Number of formal compliments	3	No target	B	Period only		3 compliments for legal
		% of non-disputed invoices paid within 30 days	95.71	95.00	M	Cumulative		70 Undisputed invoices processed in September		% response rate to Annual Canvass	91.76	95.00	A	Cumulative		we are currently on track to meet the target in December 2017 (94% plus at present)	
		% of debt over 90 days old	0.00	10.00	M	Cumulative		No debt for FHDC or SEBC over 90 days		Customer Services % of answered calls - elections	91.00	90.00	M	Period only		511 calls	
	STAFF	Average number of sick days lost per FTE per annum*	6.20	6.50	Q	Cumulative		Sickness absence continues to be well managed and is reducing									
		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
INTERNAL PROCESSES	HR	Time taken to complete recruitment process - advert to offer (days)	26.25	35.00	Q	Period only		Work has been done on employer brand and effective recruitment processes	OUTCOMES	HUMAN RESOURCES	% Voluntary staff turnover *	9.66	7-12	Q	Cumulative		despite a competitive labour market the retention of staff is not a problem
								% successful staff appointments *			94.69	85.00	Q	Cumulative		our employer brand and reputation continues to be strong and we are able to recruit successfully	
										HEALTH & SAFETY	Reported incidence of injuries, diseases and dangerous occurrences *	2	5	Q	Cumulative		we have had two incidents of RIDDOR this year

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		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
RESOURCES	FINANCIAL	Year end forecast variance (under) / over spend against budget - FHDC	£29,297.00	0.00	M	Cumulative		(£28k) Land Charges, (£14k) DevControl, £47k Building Control, £33k EnvMgmt. As detailed in the budget monitoring report.	CUSTOMERS	PLANNING	Number of formal complaints	13	No target	B	Period only	Thirteen complaints, none upheld. Nine relate to a single application	
		Year end forecast variance (under) / over spend against budget - SEBC	£59,721.00	0.00	M	Cumulative		(£80k) DevControl, (£29k) Land Charges, £41k Building Control, £17k PRS. As detailed in the budget monitoring report			Number of formal complaints	15	No target	B	Period only	Fifteen compliments	
		Spend on professional fees in relation to planning appeals	£24,831	No Target	M	Cumulative		The fees paid relate to FHDC £12805 and SEBC £12,025.80			Number of successful appeals - Planning	1	No Target	M	Period only	There was 1 successful appeal in September 2017.	
		Income received against budget	£2,360,975.63	£2,311,482.00	M	Cumulative		Income up on Planning Application Fees			Application decisions needing an extension of time to complete	29	No Target	M	Period only	Out of the 127 planning applications that were determined within September 2017, 29 of those required an extension of time. Will be creating a report to analyse the reasons for an extension of time. In future scorecards - for example, awaiting amended plans or because of a Section 106 Obligation etc	
		% of non-disputed invoices paid within 30 days	96.15	95.00	M	Period only		52 undisputed invoices processed in September			Total validation backlog	25	No Target	M	Cumulative	The backlog figure was taken on 2 October 2017, this work continually fluctuates on a day to day basis. The validation backlog drop is due to procedure changes, continuous training and a totally new way of working. Going forward this indicator will change to the amount of days turnaround to show timescale rather than numbers. Please note over 90 applications are currently invalid and waiting for more information from the agent/applciant. We are actively pursuing additional measures to see how the number of invalid applications relates to whether there has been pre-application advice or not and this new measure will be reported to PASC in November.	
		% of debt over 90 days old	14.00	10.00	M	Cumulative		The total debt over 90 days was £4223.86 out of £29165.56. SEBC was £480 out of £18,174.28 this represents 2.6%. FHDC was £3,743.86 out of £10,991.28 which is 34.1%, the FHDC amount is made up of BC £960.00 and £2,783.86 for PH, which is covered by a charge on the property it relates to.			% of invalid planning applications received	19.38	No Target	M	Period only	50 applications out of 258 were invalid and had to be reprocessed. Will identify in future reporting what percentage of invalid applications had been through our pre-application advice service and compare it against the same for applications valid on receipt.	
		DFG mandatory grants paid £	£184,121.33	£280,252.00	M	Cumulative		HIA, as key provider across Suffolk, working under new management, system and improvement plan, with resource now up to full establishment. Being monitored by partners on a monthly basis and closely here at WS. OT assessment backlog to be reduced by Jan 2018, through an alternative agency. Recommendations for DFG will be processed through an alternative HIA.									
Staff	Cases per member of staff - Housing Standards	40.00	50.00	Q	Period only		Still within the acceptable threshold. Regular meetings with individual officers and team around workload, and successful recruitment of 3 new officers (2 FTE) to manage this and deliver on service demand.										
		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
INTERNAL PROCESSES	PLANNING	% of major planning applications determined within 13 weeks	100.00	60.00	M	Period only		4 major planning applications were determined within September 2017 (3 SEBC, 1 FHDC). Those 4 applications required an extension of time.	OUTCOMES	REGULATORY STANDARDS	% of food businesses receiving a top food hygiene rating (rating of 5)	83.10	60.00	Q	Period only		A slight increase in the proportion of top-rated food premises. The team continue to work with a number of poorly-performing businesses to achieve sustained improvements.
		% of minor planning applications determined within 8 weeks	84.38	65.00	M	Period only		32 minor planning applications were determined within September 2017 (18 SEBC, 14 FHDC). 10 applications were determined within 8 weeks, 17 applications required an extension of time and 5 applications were determined after 8 weeks.			Private sector Properties brought up to standard	58.00	30.00	Q	Cumulative		
		% of other planning applications determined within 8 weeks	99.00	80.00	M	Period only		100 other planning applications were determined within September 2017 (73 SEBC, 27 FHDC). 74 applications were determined within 8 weeks, 25 applications required an extension of time and 1 application was determined after 8 weeks.			Renewable energy generated on Council properties (KWh)	154,569	171,130	Q	Period only		The majority of the sites generated less electricity during this quarter when compared to the same period last year. Full system inspections and if required a panel cleaning exercise will be performed over Winter 2017 to ensure that all systems are performing at their optimum.
	PLANNING ENFORCEMENT	Number of new enforcement cases opened	36	No Target	M	Period only		There were 36 new enforcement cases opened within September 2017, 21 were SEBC and 15 were FHDC.		Renewable energy generated on Solar Farm (MWh)	4,073	4,231	Q	Period only		A small drop in performance against target was observed over the quarter. The site is currently going through its first anniversary of contractual performance testing as part of the two year warranty period. This independent testing will show if the performance is at expected levels, the results of which will be available to report during Q3. Remedial action will be taken if needed under the warranty against contractually agreed performance levels.	
		Number of enforcement cases closed	36	No Target	M	Period only		36 enforcement cases were closed within September 2017, 28 were SEBC and 8 were FHDC.		Value generated by Solar Farm (£)	£423,543.00	£437,000.00	Q	Period only		Income this quarter was slightly down reflecting lower than predicted generation levels.	
		Total number of enforcement cases open	356	No Target	M	Period only		There are currently 356 open enforcement cases, 148 SEBC and 208 FHDC		Solar for Business Income (£)	£54,401.00	£57,922.00	B	Period only		Seven new installations were completed later than forecast during this reporting period, and one excepted installation did not go ahead. Overall the existing sites performed as expected during the period.	

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		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
RESOURCES	FINANCIAL	Year end forecast variance against budget - FHDC	-£169,820.00	-	M	Cumulative		(£92k) Waste, (£49k) Property, £28k Facilities, (£29k) Central Services, (£18k) CarParks, (£22k) Parks. As detailed in the Budget Monitoring Report.	CUSTOMERS	SATISFACTION	Number of formal complaints	2	No target	B	Period only		Two step-one complaints. One regarding the West Suffolk Operational Hub, One regarding car parking signs. Neither upheld
		Year end forecast variance against budget - SEBC	-£485,746.00	-	M	Cumulative		(£270k) Waste, (£74k) Property, (£73k) Car Parks, (£39k) Halls&Events. As detailed in the Budget Monitoring Report.			Number of formal compliments	22	No target	B	Period only		Twenty-two compliments
		Income from entire property portfolio	-£2,140,115.07	-£2,065,154.00	M	Cumulative				% of calls answered - Waste	95	90	M	Period only		583 calls on waste line	
		Income from waste & street scene services	-£1,986,709.51	-£1,738,190.00	M	Cumulative				% of calls answered - Apex Box Office	95	90	M	Period only		953 calls on Apex line	
		% of non-disputed invoices paid within 30 days	94.16	95.00	M	Cumulative		822 undisputed invoices processed in September									
		% of debt over 90 days old	75.71	10.00	M	Period only		FHDC debt £48,087.41 - 47.50% over 90 days. SEBC debt £562,983.91 - 78.13% over 90 days.									
		Current Value	Target	Frequency	Type	Trend	Comments			Current Value	Target	Frequency	Type	Trend	Comments		
INTERNAL PROCESSES	WASTE MANAGEMENT	Number of household bins not collected as scheduled -per 10,000 properties	5.61	8.25	M	Period only			OUTCOMES	WASTE MANAGEMENT	% of household waste recycled and composted	43.27	42.00	Q	Cumulative		Overall, there was a slight drop in the total amount of waste collected in qtr 2 compared with qtr 1 and more of this waste was recycled, resulting in a positive recycling rate.
																This is an estimate as it does not reflect the growth in the number of households since April 2017. Whilst there has been less residual waste collected in qtr 2 than qtr 1, this is higher than the same period last year and the current budget estimate.	
								PROPERTY		% of industrial units that are vacant	6.22	8.25	M	Cumulative		0	
								WASTE MANAGEMENT		Number of flytipping incidents recorded in West Suffolk	271	325	Q	Cumulative		The majority of incidents are associated with relatively small incidents of household waste on public land.	
																In response to incidents we undertake investigations and where possible employ a range of enforcement measures including warning letters, fixed penalty notices, formal cautions and prosecutions; all subject to the evidence available. We are also proactive where possible and implement additional actions such as installing warning signs, undertaking duty of care inspections with local businesses and working in partnership on countywide campaigns to promote the correct disposal of waste. The proactive measures are the reason why the number of actions is greater than the number of incidents	

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# Informal Joint Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>West Suffolk Strategic Risk Register Quarterly Monitoring Report – September 2017</b>	
<b>Report No:</b>	<b>PAS/FH/17/033</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	29 November 2017
<b>Portfolio holder:</b>	Stephen Edwards Portfolio Holder for Resources and Performance <b>Tel:</b> 01799 530325 <b>Email:</b> <a href="mailto:stephen.edwards@forest-heath.gov.uk">stephen.edwards@forest-heath.gov.uk</a>	
<b>Lead officers:</b>	Rachael Mann / Gregory Stevenson Assistant Director / Service Manager - Finance and Performance <b>Tel:</b> 01638 719245 / 01284 757264 <b>Email:</b> <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a> <a href="mailto:gregory.stevenson@westsuffolk.gov.uk">gregory.stevenson@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To review the West Suffolk Strategic Risk Register Quarterly Monitoring Report	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  <b>It is <u>RECOMMENDED</u> that Members scrutinise the updated West Suffolk Strategic Risk Register at Appendix 1 and refer any major issues requiring attention to Cabinet.</b>	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>		• <b>Not Applicable</b>	
<b>Alternative option(s):</b>		• <b>Not Applicable</b>	
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> • There are no direct financial or budget implications arising from this report. Specific risks associated with finance and resources are included in the West Suffolk Strategic Risk Register at Appendix 1	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
See individual assessments against each risk as detailed in Appendix 1			
<b>Ward(s) affected:</b>		All Wards	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		None	
<b>Documents attached:</b>		<b>Appendix 1-</b> West Suffolk Strategic Risk Register 2017/2018	

## **1. Key issues and reasons for recommendation(s)**

### **1.1 Key Issues and Summary**

- 1.1.1 The West Suffolk Strategic Risk Register is updated regularly by the Risk Management Group. The Group is comprised of service representatives, including Health and Safety, supported by a Director and the Portfolio Holder for Resources, Governance and Performance. Assistant Directors and / or Service Managers may be required to provide further information as requested by the Group.
- 1.1.2 At its most recent assessment in October 2017, the Group reviewed the Target Risk, the risk level where the Council aims to be, and agreed a Current Risk assessment. These assessments form the revised West Suffolk Strategic Risk Register at **Appendix 1**.
- 1.1.3 Part of this assessment included the consideration of the controls and actions in place to address the individual risks. Where Target Risk levels are lower than the Current Risk assessment, further action is either being taken or planned in order to treat the risk and meet the target.
- 1.1.4 Some individual controls or actions have been updated and those that were not ongoing and had been completed by September 2017 have been removed from the register.

### **1.2 New or Amended Risks**

- 1.2.1 The following risk has been added to the Strategic Risk Register;  
  
**WS23** – Cyber Security – has been added to reflect the ever increasing threat to West Suffolk’s systems and Services from malicious cyber attack.
- 1.2.2 The description of **WS11** has been updated to include West Suffolk’s bid to become a single Council. An additional action #6 has been added to support these activities.
- 1.2.3 There have been no major amendments to current risks during this reporting period. Where necessary actions, controls and target dates have been updated.

### **1.3 Closed Risks**

- 1.3.1 No existing risks have been closed since the Strategic Risk Register was last reported to this committee.

### **1.4 Impact of Brexit**

- 1.4.1 The group will continue to monitor the situation as it develops, amending existing and / or adding new risks where necessary. These changes will be reported at each meeting in the normal manner.

## **1.5 Reasons for Recommendations**

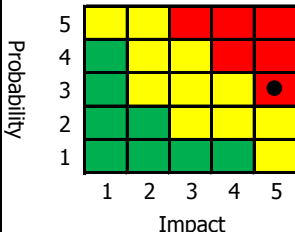
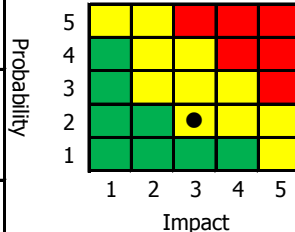
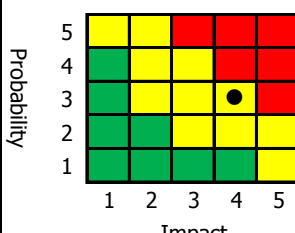
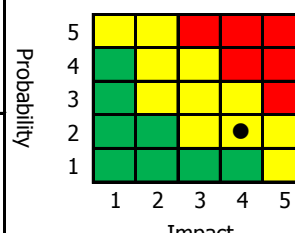
- 1.5.1 The Council's Strategic Plan for 2014/2016, adopted by the Council in February 2014, and extended to cover 2017, includes three key priority areas supported by a range of actions to deliver specific outcomes.
- 1.5.2 The West Suffolk Strategic Risk Register identifies and records the level of risk associated with delivering the Council's plans alongside meeting its statutory responsibilities and the organisation's overall ability to respond to change. Through assessment of risk and the likelihood and impact of potential failure to meet these challenges, the level of controls and where possible, action required is identified and implemented.



# West Suffolk Strategic Risk Register 2017/18 - September 2017

**APPENDIX 1**

Type: A = Action, C = Control

RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk
WS1 A	10-Jul-14	Financial	Assistant Director & Portfolio Holders- Resources and Performance	Poor financial management	Failure in specific areas to achieve projected income, or expenditure exceeds the approved budgets (revenue or capital).		C	1) Monthly monitoring reports (revenue and capital) to budget holders and Leadership Team. Quarterly revenue and capital monitoring reports to PASC.	Assistant Director - Resources & Performance	N/A	N/A	
							C	2) Business rate retention income and localising of Council tax being monitored monthly by Finance and ARP	Assistant Director - Resources & Performance	N/A	N/A	
							C	3) Regular meetings between budget holders and Resources and Performance business advisors/partners	Service Managers / Business Partners / Advisers	N/A	N/A	
							C	4) Scrutiny of financial reports by LT and Members through Performance and Audit Scrutiny Committee	LT	N/A	N/A	
							A	5) Financial system upgrade/development in order to take advantage of latest budget planning / monitoring functionality.	LT		Mar-18	
							A	6) Strengthen the overall Performance Management Framework. E.g. Balanced Scorecards, PDRs, (also see WS18), Risk management, Project monitoring, Financial Reporting.	LT	Apr-17	Dec-17	
							C	7) Regular updates of projects, assessment of any additional risks associated with new projects.	LT	N/A	N/A	
							C	8) Monitoring of investment decisions and original business cases targets/outcomes through Business Partner Model.	Assistant Director - Resources & Performance	N/A	N/A	
							C	9) Longer term financial planning across MTFS.	Assistant Director - Resources & Performance	Sep-16	N/A	
							A	10) Implement Suffolk wide Business Rates monitoring and forecasting tool to assist with control #2 above.	Assistant Director - Resources & Performance	Jul-17	Dec-17	
WS1 B	10-Jul-14	Financial	Assistant Director & Portfolio Holders- Resources and Performance	Poor financial planning	<p>Failure to deliver a sustainable Medium Term Financial Strategy, especially in view of continued financial uncertainty around areas such as Comprehensive Spending Review, localisation of Business Rates, increased service demand, and use of reserves.</p> <p>Over reliance on any one particular MTFS theme such as behaving more commercially or being an investing authority</p>		A	1) Annual Budget preparation focus on MTFS and key uncertainties including Business Rate Retention in 2020. Delivery on six MTFS themes.	LT	N/A	N/A	
							C	2) Demand trends and financial implications validated as part of budget setting. Using monitoring reports to identify trends.	Service Managers / Business Partners / Advisers	N/A	N/A	
							C	3) Medium Term Financial Strategy update - including review of assumptions, sensitivity analysis and review of reserve and balance levels	Assistant Director - Resources and Performance	N/A	N/A	
							C	4) Scrutiny of financial reports by LT and Members through Performance and Audit Scrutiny Committee	LT	N/A	N/A	
							C	5) Monitor Government statements on future of local government funding	LT	N/A	N/A	
							C	6) New investment proposals to be considered through the Councils governance and decision making process including challenge by -Business Partners.	LT	N/A	N/A	

# West Suffolk Strategic Risk Register 2017/18 - September 2017

## APPENDIX 1

Type: A = Action, C = Control												
RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid?Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk
							C	7) Use of data and intelligence in forecasting future scenarios.	LT	N/A	N/A	
							C	8) Keep a careful eye on Brexit implications re European funding and service delivery	LT	N/A	N/A	
							A	9) Project resources review ensuring the appropriate capacity and skills to take forward ambitious agenda.	LT	Sep-16	Mar-18	
							A	10) Utilise Suffolk wide Business Rates monitoring and forecasting to assist with forecasting and financial planning across the MTFS. The new tool will also provide the opportunity to model for different scenarios under a 100% Business Rate Retention Scheme.	Assistant Director - Resources and Performance	Jul-17	On-going	
WS2	10-Jul-14	Customer	Assistant Director & Portfolio Holders- Families & Communities	Maintain and promote our public image, maintain effective communications	Lack of public trust and confidence in the councils leads to a poor reputation.Councils need to champion their area and be a trusted part of the community.It is vital therefore in making sure people access services,which often means the handling of sensitive information, that the councils have a strong reputation.This is also the case in working wiith communities to deliver growth or large projects as well as in times of crisis,when the council must be a trusted source of information.Therefore Councils need a good reputation to enter positive partnerships with others, or secure funding.  This could also potentially impact on our ability to recruit staff in competitive market.		C	1) Monitor and measure media coverage through daily media alerts and, where appropriate, provide a robust response.	Service Manager (Strategic Communications )	N/A	N/A	
							C	2) Public stakeholders have a range of channels including news and social media to disseminate information about West Suffolk services and strategic priorities and address errors or misrepresentation.	Service Manager (Strategic Communications )	N/A	N/A	
							C	3) Train and support staff and Members in proactive communications, liaising with the media and using social media platforms.	Service Manager (Strategic Communications )	N/A	N/A	
							C	4) Deliver strategic communications plan and work with them to engage appropriately with communities to encourage channel shift.	Service Manager (Strategic Communications )	N/A	On-going	
							A	5) Ensure that appropriate communications planning and support are identified for strategic projects as per individual project plans	Service Manager (Strategic Communications )	Aug-14	On-going	
							C	6) Carry out timely and proportionate consultation that is available in an accessible format for everyone who wants to give us their views on a particular matter.	Service Manager (Corporate Policy)	N/A	N/A	
WS3	10-Jul-14	Customer	Assistant Director & Portfolio Holders- Families & Communities	Failure to deliver channel shift (Customer Access Strategy)	Service delivery methods do not meet customer needs or expectations with potential to damage Councils' reputation; customer expectations need to be understood and managed;Councils' not appreciating and/or delivering methods of contact and response time which are expected by customers.		C	1) Continue to develop new web presence with full digital by default capability. Ensure that staff, councillors and external support/advisory services are aware of the councils' digital offer and benefits for use.	Assistant Director - Families & Communities	N/A	N/A	
							C	2) Clear and consistent public communications to explain changes to services and establish realistic expectations of service levels.	Service Manager (Corporate Communications ) and Service Manager (Customer Service)	N/A	N/A	
							C	3) Continuing development to ensure web site remains fit for purpose.	Assistant Director - Families & Communities	N/A	N/A	

# West Suffolk Strategic Risk Register 2017/18 - September 2017

## APPENDIX 1

Type: A = Action, C = Control												
RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk
								4) Anglia Revenues Partnership, (ARP), project to rewrite and redesign website now underway. Customer service support to be provided to ensure there is an effective customer journey.	Assistant Director - Families & Communities, Assistant Director - Resources and Performance	N/A	Completed	
								5) Anglia Revenues Partnership, (ARP), Strategic (Transformation) Plan outlining the future role of ARP to be developed.	Director (JK)	Jul-16	Mar-17	
WS4  Page 49	10-Jul-14	Professional	Assistant Director & Portfolio Holders - Human Resources, Legal & Democratic Services	Staff retention (professional staff / technical staff) and recruitment. Staff trust and goodwill (morale)	Lack of staff with appropriate skills, experience and capacity could prevent delivery of services and high levels of performance. Failure to have motivated staff with appropriate workload.		A	1) OD strategy focussing on Employer Brand, Flexible and Agile Workforce, Talent management linked to performance management. Continue to develop succession routes - apprentices and career pathways for example.	HR Manager	Reviewed OD plan 2016	On-going	
							C	2) Regularly evaluate outcome of Performance Reviews to identify talent management to inform succession planning.	HR Manager	Jun-14	Ongoing	
							C	3) New intranet facilities providing consistent and regular communication to officers and members, with the opportunity to provide feedback now in place.	Service Manager (Corporate Communications)	N/A	Completed	
							A	4) Annual workforce monitoring data presented to the West Suffolk Joint Staff Consultative Panel; no significant issues raised.	HR Manager	N/A	On-going	
							A	5) Salary benchmarking has been undertaken and remains under review. Review Pay Policy. Monitor Recruitment to identify challenging areas to address. Maintain focus on strong employer brand. Review of payline and structure may need to be considered. National work commenced on the NJC/Job Evaluation/Pay and Reward work linked to the	Assistant Director - HR, Legal and Democratic Services	N/A	ongoing	
							A	6) Review of skills and structures to ensure successful delivery of MTFS and associated growth projects	Assistant Directors and Service Managers	Dec-16	On-going	
WS6	10-Jul-14	Political	Chief Executive & Leaders	Managing public / councillor expectations with less resources	Falling short of providing the level of service that the public and councillors expect and demand.		C	1) Understand and communicate priorities and expectations through Strategic Plan and MTFS	LT	N/A	Dec-17	
							C	2) Assign dedicated corporate project resources to support new projects as they arise.	LT	N/A	N/A	
							A	3) Review and align service and skilled resources available to the strategic plan including communicate resources.	LT	Jun-14	On-going	
							C	4) Regular monitoring and update discussions with portfolio holders on the corporate project plan progress	LT	N/A	N/A	
							C	5) Regular monitoring of Balanced Scorecards to include complaints, compliments and trends.	LT	N/A	On-going	
WS7	10-Jul-14	Technological Financial Customer	Service Manager (Corporate Policy) / All Assistant Directors & Portfolio Holders	Poor project management	Key strategic outcomes not being delivered due to projects failing to be completed on time. Budgets are overspent due to delays. Peaks and troughs in resource demands for support services are not managed, resulting in unmanageable workloads for e.g. IT team, exacerbating the delays.		A	1) Maintain and develop an efficient programme and project management framework understanding timetabling and interdependencies between projects and programmes (led by Service Manager Corporate Policy).	Service Manager Corporate Policy	May-17	On-going	
							A	2) Maintain oversight of corporate project matrix at Leadership Team, to manage demands on services and resource appropriately.	Service Manager Corporate Policy	May-17	On-going	

# West Suffolk Strategic Risk Register 2017/18 - September 2017

## APPENDIX 1

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								3) Training and support to staff involved in corporate projects including key project management skills.	L&D team/Service Manager Corporate Policy	May-17	On-going	
								4) Project support and resources to be included in future Project Initiation Documents and project business cases, including support services such as: <u>ICT, Finance, Legal and Property</u>	LT and All Service Managers	May-17	On-going	
								5) Early identification of Corporate capacity / priorities as part of business plan / project initiation. Review of programmes to assist with prioritisation.	LT	May-17	On-going	
								6) Carry out Project Close Out Reports and Project Health Checks as appropriate.	LT and All Service Managers	May-17	On-going	
WS7a	10-Jul-14	Technological	Assistant Director & Portfolio Holders- Resources and Performance	ICT integration	Integration of ICT across services and systems not being achieved. Failure to keep Business Applications aligned.		A	1) Maintain alignment of ICT infrastructure and corporate systems through corporate project planning	Infrastructure Support Manager	Jun-14	On-going	
							A	2) Continued Business Applications integration / alignment.	Project Managers & Service Manager (ICT)	Jun-14	Individual project plans	
							C	3) Regular review of both integration programmes for strategic fit and resources/skills capacity through corporate projects plan.	Service Manager Corporate Policy/ LT	N/A	N/A	
							C	4) Monthly testing of the Council PSN compliance including the checking and monitoring of new and existing staff. <u>No tolerance approach adopted.</u>	Infrastructure Support Manager	N/A	N/A	
							A	5) Development of a West Suffolk Information Strategy and links to the wider public sector integration agenda (Transformation Challenge Award).	Service Manager (ICT)	N/A	Dec-17	
WS8	10-Jul-14	Political Social										
Page 50	(a)		Assistant Director & Portfolio Holders- Families & Communities	Failure to deliver; Families & Communities agenda	Opportunities being missed to create or influence the provision of:		C	1) Initial Families & Community Strategy now complete. Continuous development and review of strategy to ensure that it remains fit for purpose. Review of F & C scheduled to complement the development of a new Westy Suffolk Strategic Plan.	Service Manager (Families & Communities)	Jul-17	Feb 18	
					(i) a thriving voluntary sector and active communities who take the initiative to help the most vulnerable		C	2) Continue to develop the Families and Communities Officers role and new ways of working with councillors and the wider team.	Service Manager (Families & Communities)	N/A	N/A	
					(ii) people playing a greater role in determining the future of their communities		A	3) Locality budgets and Community Chest funds available. Ensure both are used effectively and as intended.	Service Manager (Families & Communities)	Oct-13	On-going	
					(iii). improved wellbeing, physical and mental health							
					(iv) accessible countryside and green spaces							
	(b)		Assistant Director & Portfolio	Failure to deliver; Growth Agenda inc coping with growth and increase in	Opportunities being missed to create or influence the provision of:		C	1) Developing engagement with the two Local Enterprise Partnerships. Deliver Six Point Plan for Jobs and Growth. Monitoring the local economy.	Assistant Director - Growth	N/A	N/A	

## West Suffolk Strategic Risk Register 2017/18 - September 2017

Type: A = Action, C = Control													APPENDIX 1
RISK ID NUMBER	Date risk added to register	Type	Current Owners	Title	Description - What are we trying to avoid? Why is this important	WS Inherent Risk	Type	Summary of Controls / Actions - What we are doing / need to do to prevent it.	Who is responsible for the actions	Start date	Target completion date/ Complete	WS Residual Risk	
Page 51			Holdings - Growth	demand	(i) beneficial growth that enhances prosperity and quality of life		C	2) Small budget to support businesses with grants. Business rate income being closely monitored from April 2013 by ARP. Developing Inward Investment strategy. Increase Business engagement	Assistant Director - Growth	N/A	N/A		
					(ii) existing businesses that are thriving and new businesses brought to the area		C	3) Support to WSC, SCC, UCS and other agencies involved with skills development. Monitoring attainment levels.	Assistant Director - Growth	N/A	N/A		
					(iii) people with the educational attainment and skills needed in our local economy		C	4) Continue to develop close working relationships with Whitehall, Norfolk partners, LEPS to influence the design of any devolution agreements and business rates retention schemes.	Assistant Director - Growth	N/A	N/A		
					(iv) vibrant, attractive and clean high streets, village centres and markets		A	5) Development and delivery of Local Plans	Assistant Director - Growth	Dec-15	On-going		
							A	6) Continued development of enterprise zones. Development of a joint plan to 2020/21.	Assistant Director - Growth		Feb-17		
	(c)		Assistant Director & Portfolio Holders - Growth, Families & Communities and Planning.	Failure to deliver; Housing Agenda	Opportunities being missed to create or influence the provision of:		C	1) West Suffolk Housing strategy adopted, implementation of agreed Action Plan, with annual monitoring. Review of Housing Strategy to be undertaken in 2017	Assistant Directors for Growth, Families and Communities and Planning	N/A	N/A		
					(i) sufficient housing for current and future generations, including more affordable homes and improvements to existing housing		C	2) Cambridge Sub-regional Strategic Housing Market Assessment completed 2008 to identify levels of need, with annual updates and reviews.	Assistant Director - Growth	N/A	N/A		
					(ii) new developments that are fit for the future, properly supported by infrastructure, and that build communities, not just housing		C	3) Local Investment Plan 2014-18 approved by HCA, now working with RP partners to deliver. Quarterly monitoring of plan and annual review.	Assistant Director - Growth	N/A	N/A		
					(iii) homes that are flexible for people's changing needs		C	4) West Suffolk Choice Based Lettings Scheme regularly reviewed to reflect changes in legislation. Scheme re-tendered June 2015, with new system fully operational by June 2016, operation of scheme monitored through CBL Management Board.	Service Manager (Housing Options)	N/A	N/A		
							A	5) Review of West Suffolk Lettings Partnership to ensure that the package of support provided meets the needs of the landlords and local housing market, particularly in light of Universal Credit.	Service Manager (Housing Options)	Aug-17	Jun-18		
							A	6) Disabled Facilities Grants process and Home Improvement Agency contract reviewed with partners in order to introduce a more co-ordinated and integrated service across agencies. New service introduced in May 2016, there are on-going difficulties with new scheme which has resulted in the need for dedicated contract management to be introduced. A formal review of the contract is currently away which will be concluded in January 2017.	Service Manager (Housing Standards)	Apr-14	Jan-17		
							A	7) Establishment of commercial Housing Development Company in partnership with Suffolk County Council to build open market, private rented and affordable housing, Company incorporated March 2016. Initial Business Plan approved in Dec 2016, with work commencing on delivery plan and seeking planning permission for sites in September 2017.	Service Manager (Strategic Housing)	Apr-15	See action 7 text for details of dates.		

**West Suffolk Strategic Risk Register 2017/18 - September 2017**

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							A	8) Monitor implications and proposals contained in new Government publications (including Housing & Planning Bill published Feb 2017) - countywide and West Suffolk response submitted to consultation document. Details of when proposals will be introduced still to be published by the Government.	Service Manager (Strategic Housing)	Apr-16	See action 8 text for details of dates.	



# West Suffolk Strategic Risk Register 2017/18 - September 2017

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WS11	10-Jul-14	Economic Financial Competitive	Chief Executive / Directors & Portfolio Holders	Failure to adapt to new public sector models, explore opportunities with partners	West Suffolk's bid to become a single Council is unsuccessful and the benefits are not realised; the Council fails to deliver better services for public sector customers (regardless of the organisation), fails to close its budget gap due to missing opportunities for new sources of funding and opportunities for savings through economies of scale and better integration; or fails to take account of wider changes in national and local government legislation and policy (including EU).		C	1) Keep a watching brief on, and disseminate information on new policies, funding models and opportunities through DCLG, RSN, LGA, EELGA etc.	Service Manager (Corporate Policy)	N/A	N/A	
							C	2) Maintain good relationships with public sector partners, e.g. CCG, SCOLT, SCEG, ARP authorities to hear of, and take opportunities arising from opportunities for partnership working.	Chief Executive and Directors	N/A	N/A	
							C	3) Robust business cases for identified opportunities.	LT	N/A	N/A	
							C	4) Keeping a watching brief on the new/changing National policies with Suffolk colleagues, including Brexit and local government funding changes and play an active part in the Devolution process for Norfolk, Suffolk and the wider East Anglia area, (also see WS8(b) 4).	Chief Executive and Directors	N/A	N/A	
							A	5) Lead the integration and rationalisation of the public estate through membership, and local leadership, of the Government's One Public Estate Programme.	Director	Jul-14	On-going	
							A	6) Continue to actively work with DCLG and LGBCE to encourage support for the Council's business case to become a single Council, and proactively support the development of the case and subsequent Order.	Chief Executive and Directors.	Sep-17	On-going	
							A	7) Explore shared services opportunities with other Local Authorities.	LT	Apr-15	On-going	
WS12	10-Jul-14	Partnership	Assistant Director & Portfolio Holders - Growth	Loss of a key employer (for example USAFE, Racing Industry, Greene King, WS Hospital, Centre Parcs, British Sugar) Please see Risk WS22 for USAFE.	Failure to retain major employers in the area and the economic impact that it would have		A	1) Liaison with the key employers to understand issues and opportunities by: coordinating and attending the West Suffolk Business Forum; organising the West Suffolk Business Festival (which provides opportunities for engagement with key employers); arranging visits to key employers for Leadership Team; promoting the ED team as a key point of contact for businesses and as a result responding to concerns and issues raised; and meeting and supporting business leaders in conjunction with the New Anglia Local Enterprise Partnership Growth Hub advisors.	Assistant Director - Growth	Jun-14	On-going	
							C	2) Ensuring there is sufficient employment land / premises for expansion.	Assistant Director - Growth	N/A	N/A	
							C	3) Understand skills shortage and requirements by linking business to education providers and encourage businesses to take on apprentices.	Assistant Director - Growth	N/A	N/A	
							A	4) Help businesses access third party funding.	Assistant Director - Growth	Jun-14	On-going	
							A	5) Further development of the six point jobs and growth plan.	Assistant Director - Growth	Jun-14	On-going	
							A	6) In the worst case scenario (actions 1 - 5 ineffective) the ED team liaises with key partners such as Job Centre Plus and West Suffolk College to mitigate the impact of downsizing/restructuring.	Assistant Director - Growth			
WS13	10-Jul-14	Partnership Financial	Directors & Portfolio Holders	Partner / Public Sector failure	Partners or partnerships failing; cost shunting (transfer of costs between partners); partnerships not achieving desired outcomes.		C	1) Ensure robust SLA (Service Level Agreement) & Joint Venture arrangements are in place. Ensure good due diligence procedures are used.	All Assistant Directors	N/A	N/A	
							C	2) Regular monitoring of arrangements / outcomes.	All Assistant Directors	Jun-14	N/A	

## West Suffolk Strategic Risk Register 2017/18 - September 2017

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								3) Regular meetings with key partners, including fortnightly Suffolk CEO meetings to discuss impact and potential response of the Suffolk wide system. Ensure effective engagement in the Transformation Challenge Award. 4) Ensure effective engagement in the Transformation Challenge Award. 5) Understand the cumulative impact of complex partnership delivery arrangements. 6) Develop robust governance agreements for council owned companies.	All Assistant Directors	Jun-14	On-going	
							A					
							A					
							C					
							A					
WS14	10-Jul-14	Physical Social Legal	Director & Portfolio Holders	Service failure through unplanned events	Reduced level of failure to deliver services to both internal and external clients due to unforeseen events.			1) Services must have a workable, up to date Business Continuity Plan in place. 2) Combined West Suffolk Business Continuity Plan is in place for major identified threats, regularly reviewed and practised. 3) Appointed officers within each service to be responsible for the continuity plans.	All Assistant Directors/All staff	Aug-14	On-going	
							C					
							C					
								Please also see WS16 - Breach of data protection and information security				
WS16	10-Jul-14	Legal	Director & Portfolio Holders	Breach of data protection and information security	Failure to ensure the accuracy and control of data. Not using good practice when handling data. Damage to council's reputation. Damage to individuals. Avoid legal challenge. Prevent potential claims for compensation. Financial penalty for failing to comply with GDPR			1) Information governance group coordinates councils' approach to risks. 2) Records Management Working Group to coordinate councils' approach to records management. 3) Regular buildings checks to ensure information is held securely. 4) Improve staff and member communication on good practices and data security. 5) Information Security e-learning - 1st phase, existing officers, completed. All new staff and members to complete module as part of induction programme. 6) Programme plan in development to support compliance with General Data Protection Regulation. (GDPR)	Director	N/A	N/A	
							C					
							C					
							C					
							A					
							A					
							A					
WS18	10-Jul-14	Customer Financial Professional	Assistant Director & Portfolio Holders - Resources & Performance	Poor Performance	Risk of individual services having below par performance levels and possible dips in performance while establishing new service models.			1) Performance and Audit Scrutiny Committee (PASC) receive comprehensive performance monitoring report. 2) Early identification, reporting and monitoring of potential problem areas. 6) Strengthen the overall Performance Management Framework. E.g. Balanced Scorecards, PDRs, (also see WS18), Risk management, Project monitoring, Financial Reporting. 4) Use PDR's to aid early identification of potential problem areas.	Assistant Director - Resources & Performance / R&P Business Partners	N/A	N/A	
							A					
							C					
							C					
								Please also see WS7 - Poor Project Management				



## West Suffolk Strategic Risk Register 2017/18 - September 2017

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WS19	10-Jul-14	Economic Social	All Assistant Directors & Portfolio Holders	Demographic changes	Unable to meet the demands created by population changes (caused by growth, ageing, diversity, employment) including the impact on infrastructure and other related service provision.		C	1) Key services (planning, housing and waste) use forecasting models (e.g. East of England forecasting model, POPGROUP) to build population change into future Strategic Planning, Service Planning and Policy Development.	Assistant Director - Families and Communities/ Planning /Growth/Operations	N/A	N/A	
								2) Monitor, research and analysis around demographics through DCLG, ONS, LGA, LGC and other sources and share key findings with relevant services.	Service Manager (Corporate Policy)	Jun-14	On-going	
								3) Attend meetings of Suffolk Information Forum and Transformation Challenge Award Data and Intelligence work stream to share best practice around population monitoring and forecasting. NB particular attention needs to be paid to Forest Heath due to population forecasts not being able to deal accurately with USAFE population.	Service Manager (Corporate Policy)	Jun-14	On-going	
WS20	10-Jul-14	Physical	Assistant Director & Portfolio Holders - Human Resources, Legal & Democratic Services	Implementation of the Corporate Health and Safety Policy	Failure to ensure the safety and well being of staff and councillors. Failure to provide safe and healthy environment for visitors and the general public. Risk of HSE (Health & Safety Executive) prosecutions.		C	1) Corporate Health and Safety strategy, objectives and implementation plans in place for all internal and external functions performed by the Council.	Health & Safety Manager	N/A	N/A	
								2) Well being programme in place.	Health & Safety Manager	Jun-14	On-going	
								3) Requirement for all staff to complete online H&S training and members to complete appropriate H&S induction programme.	Health & Safety Manager	N/A	N/A	
								4) Communications to staff and councillors.	Health & Safety Manager	Jun-14	On-going	
								5) Appropriate insurances in place and regularly reviewed.	Health & Safety Manager	Jun-14	On-going	
								6) Continue a programme of health and safety audits according to H&S Risk.	Health & Safety Manager	N/A	N/A	
								7) Implementation of new H&S Management software.	Health & Safety Manager	Nov-17	Mar-18	

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## West Suffolk Strategic Risk Register 2017/18 - September 2017

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WS21	10-Jul-14	Social Legal	Service Manager & portfolio Holders- Strategic Housing	Safeguarding children and vulnerable adults	Children and vulnerable adults being treated in an improper manner and not in accordance with legislation.		A	1) Working in Countywide safeguarding partnership - external annual S11 Audit of Council procedures.	Service Manager- Strategic Housing	Jul-09	On-going	
							C	2) Safe recruitment procedures are adopted for all staff recruitment.	Assistant Director - HR, Legal & Dem Services	Jul-09	On-going	
							A	3) Regular staff and member training and briefing sessions taking place included as part of induction and training programme.	Service Manager- Strategic Housing/HR, Legal & Dem services	Jun-14	On-going	
							A	4) Ensure appropriate training is provided to front-line staff.	Service Manager- Strategic Housing	Nov-15	01/04/2016 Initial training completed - continued ongoing development.	
WS22	21-Apr-15	Economic and social	Director & Portfolio Holders	Failure to make the most of the opportunity presented by the closure of RAF Mildenhall	Failing to get the best mixed use options for the future of the site would lead to a negative impact on the local economy, families and community or the housing market.		A	1) Update the Mildenhall, Alconbury and Molesworth Working Group governance to reflect Mildenhall and Lakenheath issues.	Director (JK)	Feb-15	Completed June 2017	
							A	2) Co-ordinate and lead the Forest Heath member-led local Mildenhall and Lakenheath Airbases Group	Director (JK)	Mar-15	On-going	
							A	3) Commission an impact study to measure the impact of the USAFE on West Suffolk and the surrounding areas. Submission of prospectus to Central Government on future delivery of site by Mid November 16. Working closely with Cabinet Office, Treasury & HCA to influence Government thinking.	Director (JK)	Apr-15	Prospectus completed. Working with Cabinet Office etc. on-going	
							A	4) Work with external partners (including USAFE and UK Military) and internal departments to consider the actions to mitigate the impact of the net loss in USAFE personnel and also to consider opportunities for the RAF Mildenhall site in the context of the Government's One Public Estate Programme.	Director (JK)	Feb-15	On-going	
							A	5) Set up a joint MOD, HCA, SCC & FHDC project team for the future of the site. Jointly investigate site conditions and site master plan.	Director (JK)	Dec-16	Project team Mar 17. Master plan 2018	
							A	Work with and influence the HCA on their emerging studies for site use 2017-2019.	Director (JK)	Sep-16	On-going	
WS23	06-Oct-17	Economic, Financial, Political, Legal	Directors, Assistant Directors & Portfolio Holders	Cyber Security	Failure to appropriately protect West Suffolk's systems and Services from Cyber Attack		A	1) <u>User Education &amp; Awareness</u> - Update Info Sec training to include more detail on data protection and introduce new education programme for all staff.	Service Manager ICT HR Business Partner	Oct-17	Dec-17	
							A	2) <u>User Education &amp; Awareness</u> - Info Sec policy to be reviewed and disseminated to all staff (inc ARP) - and to be reviewed regularly	Service Manager ICT HR Business Partner	Oct-17	Dec-17	

# Informal Joint Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Work Programme Update</b>	
<b>Report No:</b>	<b>PAS/FH/17/034</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	29 November 2017
<b>Chairman of the Committee:</b>	Louis Busuttill Chairman of the Performance and Audit Scrutiny Committee <b>Tel:</b> 01638 810517 <b>Email:</b> <a href="mailto:louis.busuttill@forest-heath.gov.uk">louis.busuttill@forest-heath.gov.uk</a>	
<b>Lead officer:</b>	Christine Brain Democratic Services Officer (Scrutiny) <b>Tel:</b> 01638 719729 <b>Email:</b> <a href="mailto:Christine.brain@westsuffolk.gov.uk">Christine.brain@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To update members on the current status of its Work Programme, attached at Appendix 1.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  <b>It is <u>RECOMMENDED</u> that:</b>  <b>1) Members review the current status of its Work Programme for 2018.</b>  <b>2) Members are asked to identify potential topics for future scrutiny on service performance.</b>	

## Performance and Audit Scrutiny Committee Work Programme (Forest Heath District Council)

Description	Lead Officer
<b>31 January 2018 (Time: 5.00pm)</b> <b>Informal Joint Meeting</b> <b>(Hosted by St Edmundsbury Borough Council)</b>	
<b>Joint Reports</b>	
Balanced Scorecards Quarter 3 Performance Report 2017-2018	Senior Business Partner (Resources and Performance)
West Suffolk Strategic Risk Register Quarterly Monitoring Report – December 2017	Assistant Director (Resources and Performance)
Work Programme Update	Democratic Services Officer (Scrutiny)
<b>Forest Heath Specific Reports</b>	
EY – Annual Certification Report 2016-2017	Assistant Director (Resources and Performance)
EY – External Audit Plan and Fees 2017-2018 and 2018-2019 Indicative Fees	Assistant Director (Resources and Performance)
Financial Performance Report (Revenue and Capital) Quarter 3 – 2017-2018	Assistant Director (Resources and Performance)
Delivering a Sustainable Budget 2018-2019 – Update	Assistant Director (Resources and Performance)
Treasury Management Report 2017-2018 and Investment Activity (April – December 2017)	Service Manager (Finance and Performance)
Annual Treasury Management and Investment Strategy Statements 2018-2019	Service Manager (Finance and Performance)
<b>31 May 2018 (Time: 5.00pm)</b> <b>Informal Joint Meeting</b> <b>(Hosted by Forest Heath District Council)</b>	
<b>Joint Reports</b>	
Internal Audit Report (2017-2018) and Outline Internal Audit Plan (2018-2019)	Service Manager (Internal Audit)
Balanced Scorecard and Quarter 4 Performance Report 2017-2018	Senior Business Partner (Resources and Performance)
Balanced Scorecards Indicators and Targets for 2018-2019	Senior Business Partner (Resources and Performance)
West Suffolk Strategic Risk Register Quarterly Monitoring Report – March 2018	Assistant Director (Resources and Performance)
Work Programme Update	Democratic Services Officer (Scrutiny)
<b>Forest Heath Specific Reports</b>	
Financial Outturn Report (Revenue and Capital) 2017-2018	Assistant Director (Resources and Performance)

# Informal Joint Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Building Control – Improvement Plan</b>	
<b>Report No:</b>	<b>PAS/FH/17/035</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	29 November 2017
<b>Portfolio holder:</b>	Lance Stanbury Portfolio Holder for Planning and Growth <b>Tel:</b> 07970 947704 <b>Email:</b> <a href="mailto:lance.stanbury@forest-heath.gov.uk">lance.stanbury@forest-heath.gov.uk</a>	
<b>Lead officers:</b>	David Collinson Assistant Director (Planning and Regulatory) <b>Tel:</b> 01284 757306 <b>Email:</b> <a href="mailto:david.collinson@westsuffolk.gov.uk">david.collinson@westsuffolk.gov.uk</a>  Rob Fysh Principal Building Control Officer <b>Tel:</b> 01284 757379 <b>Email:</b> <a href="mailto:rob.fysh@westsuffolk.gov.uk">rob.fysh@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To provide a review of current Building Control performance and the Development Plan for the service.	
<b>Recommendation:</b>	<b>It is <u>RECOMMENDED</u> that the Committee:</b>  <b>Note</b> the report and provide any comments in relation to the service development plan.	
<b>Key Decision:</b>  <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p> <p>However, the financial (income) implications within this report will be reviewed as part of budget setting in 2018/19</p>	

<b>Consultation:</b>	• N/A		
<b>Alternative option(s):</b>	• N/A		
<b>Implications:</b>			
Are there any <b>financial</b> implications? If yes, please give details	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> • As set out in the report		
Are there any <b>staffing</b> implications? If yes, please give details	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • A staff development and resource plan must be implemented to meet future demand/sustainability for the service		
Are there any <b>ICT</b> implications? If yes, please give details	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • Enabling systems to support flexible and efficient working are being supported by ICT		
Are there any <b>legal and/or policy</b> implications? If yes, please give details	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • Note our statutory role		
Are there any <b>equality</b> implications? If yes, please give details	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •		
<b>Risk/opportunity assessment:</b>			
<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>			
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
<b>Reduction in income</b> – failure to maintain or increase market share will reduce income opportunities leaving the service still being required to provide non-fee earning services and an increased allocation of overhead costs.	High	Market analysis and marketing to maintain/grow market share. Commercial approach taken in seeking and maintaining fee earning work	Medium
<b>Sustainability</b> –Local Authority Building Control faces increasing pressure from private sector Approved Inspectors both in terms of competition for market share and staff resources and as a result the provision of future delivery.	High	Growth plan that links resources increase to meet market share (fee earning) and statutory duties. Development Plan to support recruitment and retention of staff.	Medium

<p><b>Reputation</b> – If the private sector becomes a dominant provider of services in the region, the authority will have less control overall on service and quality of building work in the locality but will still retain responsibility for enforcement and non-fee earning elements of the service</p>	<p>High</p>	<p>We need to build on our unique values as a local authority delivered service. We need to effectively market ourselves as a trusted brand, act commercially and in partnership with other local authority delivered services.</p>	<p>Medium</p>
<p><b>Ward(s) affected:</b></p>		<p>All</p>	
<p><b>Background papers:</b></p>		<p>None</p>	
<p><b>Documents attached:</b></p>		<p><b>EXEMPT Appendix 1</b> – Development Plan – Commercially Sensitive</p>	

## **1. Key issues and reasons for recommendation(s)**

### **1.1 Role of the Building Control Service**

1.1.1 The purpose of the local authority building control service is to provide essential protection for the public in and around buildings. The majority of this work involves ensuring that new building works meet the minimum standards laid down in the national Building Regulations, however the local authority is also solely responsible for:

- Enforcing the regulations
- Dangerous structures
- Disabled adaptations/extensions
- Demolition notifications
- Support Safety Advisory Group
- Support Safety at Sports Grounds Group
- Maintaining a register of all works carried out

1.1.2 Building Control is a statutory service to be provided by all local authorities to enforce the Building Regulations within their area. Only the local authority has the obligation to take enforcement action over non-compliance with Building Regulations, and this cannot be delegated to a private sector provider. As a statutory service, it remains a core function of an authority's responsibilities.

1.1.3 The Grenfell Tower disaster has brought attention to the Building Control service and how it is resourced. A preliminary response is due in December from Dame Hackett and her independent Review of Building Regulations and Fire Safety. We will review the findings in due course.

### **1.2 Challenges and opportunities**

#### **1.2.1 Competition**

What sets Building Control apart from most other local authority services is that it operates in competition with private sector providers. The cost to an authority of running its Building Control service (including statutory services that are not provided by private sector providers) is diluted by maintaining a high market share for commercial activity. Conversely if market share is lost to private sector providers the authority bears a greater proportion of the overhead costs. Perversely, losing a project to a competitor, not only results in the loss of income to the authority but it then incurs the additional cost of registering and administration of the Initial Notice (IN) submitted by the competitor for which no fee is received.

The commercial imperative to win work and keep clients "happy" can put pressure on all Building Control teams to compromise (albeit on a risk basis). In a price sensitive marketplace it is too easy to sacrifice resource intensive inspections to hit a contract price point.

The Local Authority Building Control service needs to be customer focused but it also prides itself as being independent and impartial and should be free from the financial pressure to compromise the integrity of the service.



The unique selling point of local authority building control is that it's a trusted brand and a focus on quality of building work.

#### 1.2.2 **Staffing**

An ageing workforce and a historic lack of investment in staff development in the industry has created a market shortage for building control surveyors. Ongoing staff shortages has created pressure in local authorities which incentivises remaining staff to look at either joining existing private sector practices or the opportunity to set up their own practice. We are investing in ensuring that we have highly skilled officers and we will build on this with our developing approach to commerciality.

#### 1.2.3 **Commerciality and Marketing**

Local government Building Control services competing in a competitive private sector market do not always have the commercial skills or marketing resources to effectively compete in this arena, which may affect future sustainability. If resources are stretched, there is often little opportunity to invest time and effort into marketing which will result in more pressure on a stretched resource. The service needs to be able to respond to increase in market share as part of a sustainable growth plan for the team. Equally if resources are not committed to ongoing marketing practices then a reduction in market share and income will be likely.

#### 1.2.4 **Growth and Economic cycles**

In times of economic growth, the demand for Building Control services will rise. With the right model there are opportunities not only to maintain/grow market share, but to also ensure that it is best placed to take advantage in the increased demand. The service also needs to have such critical mass that it can still respond to reactive public protection work.

#### 1.2.5 **Collaboration and partnership working**

We share common challenges and objectives with other council provided services across Suffolk. The shared aims creates interdependencies amongst us and opportunities to work together to build resilience, effectiveness and efficiency by collaborating on critical areas of work such as marketing, branding, cross border mutual aid and staff development.

### 1.3 **Current Performance**

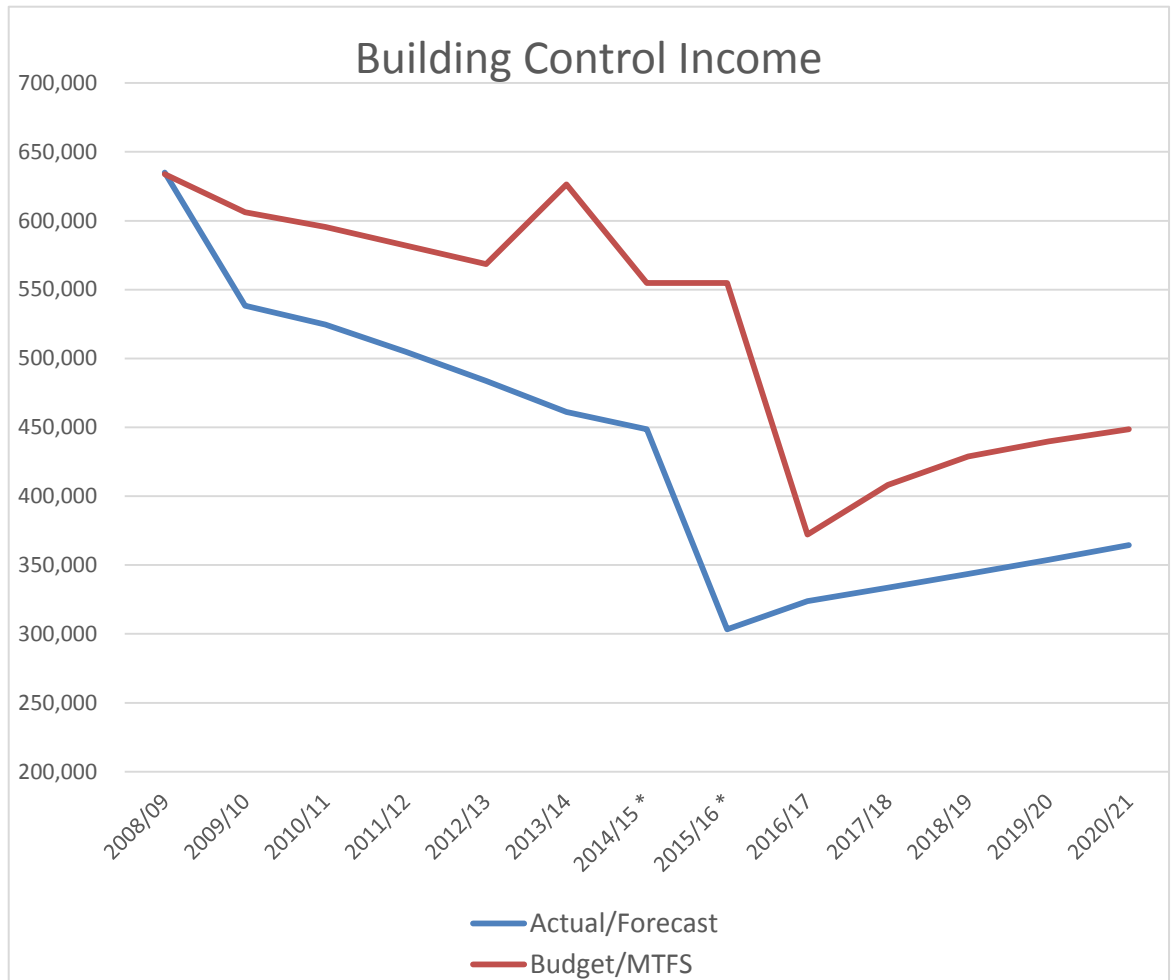
#### 1.3.1 **Current financial performance**

Our competition has changed from being just national approved inspectors (AIs) to now being from a growing number of local AIs targeting our core business. This has had a major impact on income, staffing retention and resilience. Private AIs carry out more aggressive local marketing and concentrate on targeting large clients with repeat business. They are also targeting LA staff in their expanding recruitment drive.

Market share as a whole over both Councils was around 93% prior to 2012 and increased competition. This dropped over the last three years to as low as 40% at one point before recovering to around 54% in 2016/17 and a further increase so far in 2017/18 to approximately 58%. Fee income is linked to market share and target versus actual/predicted is shown in the

table below.

Income from fee earning work is not meeting the planned profile in the current financial year, and is not expected to achieve the levels as set out in the councils' Medium Term Financial Strategies (MTFS). Income targets for the future years are being reviewed as part of the budget setting process for 2018/19, taking into account the level of market share that the service is able to achieve and maintain, and its capacity to deliver these targets.



\* Included in the MTFS within Forest Heath is a £22,000 budget for the provision of Energy Assessment calculations (SAPs) for new dwellings. Historically this work was carried out in-house by professionally qualified employees who have since left leaving us unable to carry out the function without using external contractors.

Fee income for chargeable work is regulated by the Building Control (Local Authority Charges) Regulations 2010 which stipulate that the local authority cannot make a profit on the provision of the fee earning Building Control service. However, by maintaining a healthy market share the fee earning account does cover a significant proportion of the overhead costs of the department. If market share decreases the increased overhead costs fall on the local authority.

### 1.3.2 **Operational performance**

In the last 12 months West Suffolk building control has:

- Carried out over 4400 site inspections to check construction standards are maintained in our District/Borough
- Plan checked 94% of full plans applications within 15 working days
- Checked 100% of applications within statutory period
- Processed 846 applications
- Registered 698 Initial Notice applications for approved inspectors
- Registered 10,422 competent person notifications

### 1.3.3 **Other public protection activities**

Dealt with over 60 dangerous structures in the last two years including:

- Five car impacts
- Seven property fires
- One petrol station fire
- Gale force wind damage
- Damage caused by organised crime
- Provided free building control service to over 30 disabled adaptations/extensions to properties so far this year
- Regularised 90 applications where works illegally carried out

This public protection activity accounts for approximately 25% of our current workload and is a service that is required to be provided 24/7, 365 days per year.

## 1.4 **Development Plan**

1.4.1 Our objective is to provide a modern, resilient, commercial building control service meeting the growth needs of West Suffolk and assuring public protection.

Success outcomes for our development plan include:

- Trusted 'go-to' brand with a strong visible presence
- Resilient and financially sustainable (income supporting team growth in line with demand)
- Commercially aware with a strong and growing customer base and quick to grasp opportunities
- Strong professional relationships with trades - flexible and responsive
- Collaborative, sharing resource, skills and experience
- Employers of choice – with a highly skilled and motivated workforce

1.4.2 In order to achieve these success outcomes, a development plan to support our future delivery has been developed and will be subject to collaboration with partner LA's across Suffolk where this supports mutual development.

The development plan priorities for West Suffolk Building Control Service include:

1. Marketing

2. Systems development
3. Workforce development
4. Shared budgeting model/practices with other LA's
5. Performance framework

The table attached as **EXEMPT Appendix 1** summarises this development plan.

# Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Ernst and Young Presentation of Annual Audit Letter 2016/17</b>	
<b>Report No:</b>	<b>PAS/FH/17/036</b>	
<b>Report to and dates:</b>	<b>Performance and Audit Scrutiny Committee</b>	29 November 2017
<b>Portfolio holder:</b>	Stephen Edwards Portfolio Holder for Resources and Performance <b>Tel:</b> 01638 660518 <b>Email:</b> <a href="mailto:Stephen.edwards@forest-heath.gov.uk">Stephen.edwards@forest-heath.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Assistant Director (Resources and Performance) <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:Rachael.mann@westsuffolk.gov.uk">Rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To update members on the outcome of the annual audit of the 2016/17 financial statements by Ernst and Young.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  Members are asked to <b>note</b> the report and Appendix 1.	
<b>Key Decision:</b>  <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>	• N/A	
<b>Alternative option(s):</b>	• N/A	

<b>Implications:</b>			
Are there any <b>financial</b> implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>The report and appendix include the final scale fee in respect of the 2016/17 audit of the accounts.</li> </ul>	
Are there any <b>staffing</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
Are there any <b>ICT</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
Are there any <b>legal and/or policy</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
Are there any <b>equality</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<b>Risk/opportunity assessment:</b> <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>			
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
None			
<b>Ward(s) affected:</b>		N/A	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		None	
<b>Documents attached:</b>		<b>Appendix 1</b> – Annual Audit Letter for the year ended 31 March 2017	

## **1. Key issues and reasons for recommendation(s)**

### **1.1 Summary and reasons for recommendation**

- 1.1.1 To update members on the outcome of the annual audit of the 2016/17 financial statements by Ernst & Young (EY), our external auditors, as detailed in their Annual Audit Letter for the year ended 31 March 2017, attached at **Appendix 1**.
- 1.1.2 The letter is for information, and confirms the completion of the audit of the 2016/17 financial statements.
- 1.1.3 The final audit fee for 2016/17 of £56,309 is £9,250 higher than the planned audit fee of £47,059. This additional fee relates to work required to review the valuation and accounting transactions in relation to the acquisition of Greenheath Energy Ltd, and has been agreed by the S151 Officer. Work on the certification of claims and returns is not due to be completed until November 2017 and the results of this work, along with the final fee, will be reported in the Annual Certification Report.

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# Forest Heath District Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) have issued a “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment (updated 23 February 2017)” issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

# Executive Summary

## Executive Summary

We are required to issue an annual audit letter to Forest Heath District Council (the Council) following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's:</b> ▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Statement of Accounts.
<b>Concluding on the Council's arrangements for securing economy, efficiency and effectiveness</b>	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
<b>Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).</b>	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 7 September 2017.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 22 September 2017.

In January 2017 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Mark Hodgson

Associate Partner  
For and on behalf of Ernst & Young LLP

Purpose



## Purpose

### **The Purpose of this Letter**

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2016/17 Audit Results Report to the 21 September 2017 Performance and Audit Scrutiny Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.





# Responsibilities



## Responsibilities

### Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 10 March 2017 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2016/17 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

## **Responsibilities of the Council**

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Financial Statement Audit

## Financial Statement Audit

### Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 22 September 2017.

Our detailed findings were reported to the 21 September 2017 Performance and Audit Scrutiny Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p><b>Revenue Recognition</b></p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.</p>	<p>We did not identify any material weaknesses in the recognition of revenue.</p> <p>We did not identify any instances of inappropriate judgements or estimates being applied.</p>

Significant Risk	Conclusion
<p><b>Management override of controls</b> As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>
<p><b>Purchase of Greenheath Energy Ltd</b> The Council has purchased Greenheath Energy Ltd along with the associated solar farm for £14 million.</p> <p>The Council planned to transfer the company's assets and liabilities into the Council's Balance sheet, leaving Greenheath Energy Ltd as a dormant company.</p> <p>Due to the material nature and complexity of these transactions, there is a significant risk that the accounting treatment and entries in the Council's financial statements could be materially misstated.</p>	<p>The acquisition of Greenheath Energy was a complex transaction with a significant number of accounting entries to reflect the acquisition.</p> <p>Our audit work provided us with sufficient assurance over the accounting transactions and valuation for opinion purposes. However, we identified the following matters:</p> <p><u>Accounting Transactions</u> We identified one unadjusted misstatement of £75,000 relating to retention money, as a result of the acquisition, being included within Creditors, when the balance had been paid before the 31 March 2017. Officers chose not to amend the financial statements for this item.</p> <p><u>Valuation basis</u> The Council's valuation utilised the income approach, specifically by capitalising the net income received over the six months leading up to the valuation date into perpetuity. We employed our internal EY Valuation team and based on a corroborative review of calculations using the Council's Financial Model and recent market transactions, the Council's adopted project value of £14.15 million for the Solar Farm as at the 31 March 2017 sat within a reasonable range (£14.02 to £15.28 million).</p>

Other Key Findings	Conclusion
<p><b>Financial Statements Presentation</b></p> <p>Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) changing the way the financial statements are presented.</p> <p>The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement, and include the introduction of a new Expenditure and Funding Analysis note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.</p>	<p>We identified misstatements in regards to the treatment of overhead recharges which were corrected by management. The improper treatment of recharges led to the overstatement of total income and expenditure of net cost of services within the CIES and accompanying notes for the 2016/17 figures and 2015/16 comparatives.</p>
<p><b>Property, plant and equipment</b></p> <p>Property, Plant and Equipment represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.</p> <p>The Council will engage an external expert valuer who will apply a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment.</p> <p>As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.</p>	<p>We assessed and were satisfied with the competency and objectivity of the Council's valuer, the District Valuer.</p> <p>We undertook appropriate audit procedures to verify and critically challenge the basis of valuation adopted by the valuer in relation to the Council's fixed assets. We did not identify any issues that we need to report to you.</p>

Other Key Findings	Conclusion
<p><b>Pensions Liability - IAS19</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.</p>	<p>Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable. The sensitivities surrounding these assumptions were correctly disclosed in Note 3 to the financial statements.</p> <p>We did not identify any misstatements in completing our work over the Council's pension liability, related balances and disclosures.</p>

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £0.70 million, which is 2% of gross revenue expenditure on services reported in the group accounts of £35.1 million.</p> <p>We consider gross revenue expenditure on services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Performance and Audit Scrutiny Committee that we would report to the Committee all audit differences in excess of £35,000.</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures - reduced materiality level of £5,000 applied in line with bandings disclosed.
- Related party transactions, members' allowances and exit packages - reduced materiality level applied equal to the reporting threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with the edges of several coins visible. The lighting is warm, highlighting the metallic texture and the ridges on the edges. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

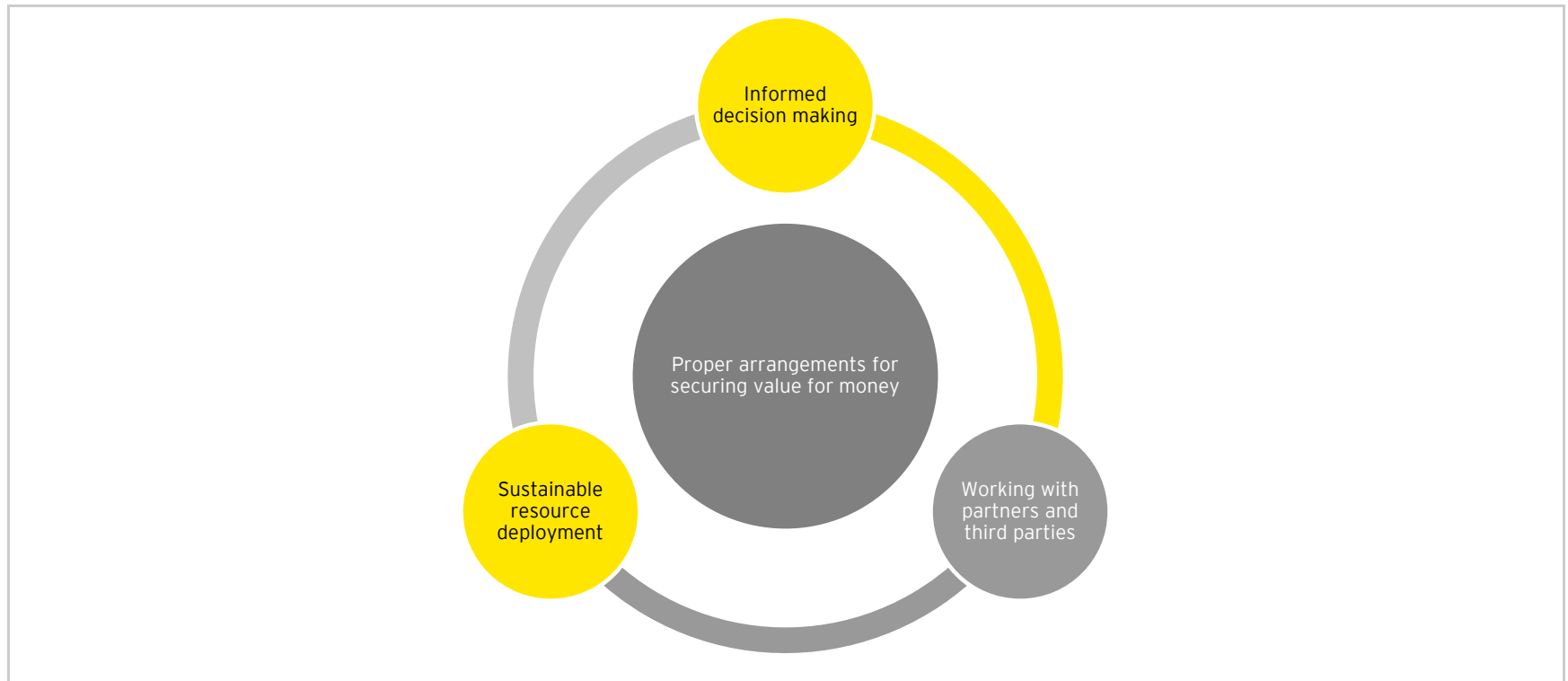
## Value for Money

## Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We identified one significant risks in relation to these arrangements. The table below presents the findings of our work in response to this risk.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Authority's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 22 September 2017.

Significant Risk	Conclusion
<p><b>Purchase of Greenheath Energy Ltd</b></p> <p>The Council purchased Greenheath Energy Ltd and the associated solar farm with a view to providing energy at reduced rates throughout the district.</p> <p>Given that this is an unusual transaction, the Council's governance arrangements surrounding the business case to proceed with the acquisition should be adequate to ensure that these decisions are based on a sound assessment of the value for money that this strategy provides to the Council.</p>	<p>We undertook the following procedures:</p> <ul style="list-style-type: none"><li>▶ Review of the Council's business case for the transaction;</li><li>▶ Review of the Council's governance arrangements around the transactions; and</li><li>▶ Consideration of the impact on the Council's medium term financial position (MTFP).</li></ul> <p>The Council have taken appropriate advice at all stages. Due diligence reviews have been carried out at every stage, using a number of independent experts, in order to mitigate the risk associated with such a transaction. Our review of the Council's business case for these transactions, the governance arrangements put in place and the impact of the transaction on the Council's MTFP did not identify any significant matters.</p>



## Other Reporting Issues

## Other Reporting Issues

### Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2016/17 financial statements from member of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## **Independence**

We communicated our assessment of independence in our Audit Results Report to the Performance and Audit Scrutiny Committee on 21 September 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## **Control Themes and Observations**

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

Our audit did not identify any controls issues to bring to the attention of the Performance and Audit Scrutiny Committee.

A close-up photograph of a person's face as they look through a pair of black binoculars. The person's eyes are focused on the lenses, and their hands are visible holding the device. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Focused on your future'. The background is a soft, out-of-focus white.

Focused on your  
future

## Focused on your future

Area	Issue	Impact
<p><i>Earlier deadline for production and audit of the financial statements from 2017/18</i></p>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has reviewed and amended the closedown process to achieve draft accounts production by 31 May for 2016/17.</p> <p>We will work with the Council to engage early, to facilitate early substantive testing for 2017/18 and consider other steps the Council can take.</p>
<p><i>Forthcoming changes to accounting standards:</i></p> <p><i>IFRS 9 Financial Instruments</i></p> <p><i>IFRS 15 Revenue from Contracts with Customers</i></p> <p><i>IFRS 16 Leases</i></p>	<p>Revised accounting standards are expected to be applicable for local authority accounts from the 2018/19 (IFRS 9 and IFRS15) and 2019/20 financial year (IFRS 16).</p> <p>Transitional arrangements are included within the accounting standard, however as the 2018/19 and 2019/20 Accounting Code of Practice for Local Authorities have yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Some initial thoughts on the approach to adopting IFRS 9 and IFRS 15 have been issued by CIPFA, but until the Code is issued and any statutory overrides are confirmed there remains some uncertainty.</p> <p>For IFRS 16, it is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented</p>



Appendix A

## Audit Fees



## Appendix A    Audit Fees

Our fee for 2016/17 is in line with the scale fee set by the Public Sector Audit Appointments Ltd (PSAA) and reported in our 7 September 2017 Audit Results Report.

Description	Final Fee 2016/17 £'s	Planned Fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
<b>Total Audit Fee - Code work (See Note 1)</b>	56,309	47,059	47,059	47,059
<b>Total Audit Fee - Certification of claims and returns</b>	TBC	15,203	15,203	12,442

Note 1: Our actual fee is £9,250 higher than the scale fee set by the Public Sector Audit Appointments (PSAA Ltd) due to additional work required to review the valuation and accounting transactions in relation to the acquisition of Greenheath Energy Ltd. The additional procedures required to gain sufficient assurance for opinion purposes were set out in our Audit Results Report. These additional fees are subject to final agreement with PSAA.

Our planned fee for the certification of claims and returns is based on the indicative scale fee set by the PSAA. The final fee will be reported to you in our annual certification report, upon completion of this work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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ED None

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# Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Financial Performance Report (Revenue and Capital) Quarter 2 – 2017-18</b>	
<b>Report No:</b>	<b>PAS/FH/17/037</b>	
<b>Report to and dates:</b>	<b>Performance and Audit Scrutiny Committee</b>	29 November 2017
<b>Portfolio holder:</b>	Stephen Edwards Portfolio Holder for Resources and Performance <b>Tel:</b> 01799 530325 <b>Email:</b> <a href="mailto:Stephen.edwards@forest-heath.gov.uk">Stephen.edwards@forest-heath.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Assistant Director (Resources and Performance) <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	This report sets out the Financial Performance for the second quarter of 2017-18 and forecasted outturn position for 2017-18.	
<b>Recommendation:</b>	<b>Performance and Audit Scrutiny Committee:</b>  Members are requested to <b>note</b> the year end forecast financial position and forward any relevant issues or comments to Cabinet for their consideration.	
<b>Key Decision:</b>  (Check the appropriate box and delete all those that <b>do not</b> apply.)	<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	

<b>Consultation:</b>		<ul style="list-style-type: none"> <li>This report and the figures therein have been compiled by the Finance team in consultation with the relevant budget holders, services and Leadership Team.</li> </ul>	
<b>Alternative option(s):</b>		<ul style="list-style-type: none"> <li>In order for the Council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available.</li> </ul>	
<b>Implications:</b>			
Are there any <b>financial</b> implications? If yes, please give details		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>As set out in the body of this report.</li> </ul>	
Are there any <b>staffing</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
Are there any <b>ICT</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
Are there any <b>legal and/or policy</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li>As outlined in the body of this report.</li> </ul>	
Are there any <b>equality</b> implications? If yes, please give details		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Budget variances	High	Clear responsibilities for budget monitoring and control ensure that there is strong accountability for each individual budget line. Budget monitoring is undertaken on a monthly basis with budget holders and reported to Leadership Team quarterly.	Low
Wider economic situation around income levels	High	Budgets reflect the economic situation facing the Council, and have been scrutinised by officers and members at budget setting time. Continue to monitor areas closely to ensure assumptions remain reasonable.	Medium
Capital investment plans continue to be affordable, prudent and sustainable	Medium	Prudential Indicators are in place to safeguard the Council	Low

Treasury Management	Medium	Treasury Management Policy and Procedures are in place	Low
Fluctuation in Business rate retention yield	High	Work with ARP to understand the variance to deliver a realistic forecast.	Medium
<b>Ward(s) affected:</b>		All Ward	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		Budget and Council Tax Setting 2017/2018 and Medium Term Financial Strategy 2017-2021 (Report No: COU/FH/17/005) <a href="https://democracy.westsuffolk.gov.uk/mgAi.aspx?ID=10399">https://democracy.westsuffolk.gov.uk/mgAi.aspx?ID=10399</a>	
<b>Documents attached:</b>		<p><b>Appendix A</b> – Revenue budget summary, for the period April to September 2017.</p> <p><b>Appendix B</b> – Revenue budget detail, for the period April to September 2017.</p> <p><b>Appendix C</b> – Capital budget summary, for the period April to September 2017.</p> <p><b>Appendix D</b> – Earmarked Reserves for 2017/18</p>	

## 1. Key issues and reasons for recommendation(s)

### 1.1 Key Issues

- 1.1.1 This is the second quarter financial monitoring report for Forest Heath District Council; which includes year end forecast outturn figures for large variance items we are aware of. We will continue to monitor the position throughout the year and will update members on any change to this position at the next PASC meeting.
- 1.1.2 Details of the Council's revenue performance and year end forecasted outturn position can be found in **Appendix A** and **B**. Explanations of the main year end forecast over/(under) spends can be found in the table at 1.2.3.
- 1.1.3 The Council's capital financial position is summarised below at 1.3. Further details are provided in **Appendix C**.
- 1.1.4 A summary of the earmarked reserves can be found at **Appendix D** along with the forecast year end position for 2017/18. This appendix is to be considered in the context of the planned medium term reserve position as agreed as part of the Budget and Council Tax 2017/18 setting report in February 2017 (Report No: COU/ FH/17/005), specifically attachment D, appendix 3 Reserves.

### 1.2 Revenue Performance

- 1.2.1 The current forecast position for the year end is expected to be breakeven. Explanations of the main year end forecast over / (under) spends can be found in the table at 1.2.3 below.
- 1.2.2 Members are requested to note the current position and the significant variances as outlined in the paragraphs below. Budget holders will continue to work with Resources Business Partners and Business Support Advisors and an updated outturn position will be provided to this committee in the quarter 3 report in January.
- 1.2.3 Year end forecast variances over £25,000 are explained in the following table.

<b>Year end forecast variance: Over / (under) spend £000s</b>	<b>Explanation</b>
108	<p><b><u>Non-Distributed Costs:</u></b></p> <p>The forecast includes Forest Heath's share of the Pension Capital Costs payment in respect of ill health retirement contributions (over and above our annual allowance – linked to our current pension contribution rates) under the local government pension scheme rules.</p> <p>This is a one-off cost that we are accommodating within the overall budget position.</p>



26	<p><b><u>Democratic Services:</u></b></p> <p>The Forecast includes Forest Heath’s share of the £80k additional costs to be incurred as a result of the General Data Protection Regulation requirements. £13k has therefore been included in the base costs, with an additional £14k transferred to reserves in respect of 2018/19.</p> <p>We are currently assuming that we will be able to accommodate these additional costs within the overall budget position as reported to Cabinet in October 2017.</p>
(28)	<p><b><u>Land Charges:</u></b></p> <p>Land Charges income forecasted to exceed the budget, mainly arising from a significant one-off set of applications for full searches.</p> <p>This has not been factored into future years due to its one-off nature, and the risks around the potential loss, due to a national change, of the LLC1 income for Land Charges are being considered in the light of the 2018/19 budgets going forward.</p>
47	<p><b><u>Building Control:</u></b></p> <p>This variance is primarily due to a forecasted underachievement of fee income.</p> <p>Fee income is being closely monitored during 2017/18. The assumptions around income going forward, based upon the council’s market share and the team’s capacity are being considered as part of the budget setting process. A separate report on this agenda details the challenges faced by this service and the proposed framework for future service development.</p>
<p><b>Year end forecast variance: Over / (under) spend £000s</b></p>	<p><b>Explanation</b></p>
33	<p><b><u>Environmental Management:</u></b></p> <p>Underachievement of fee income currently forecasted. This is due to timing differences in the rollout of the Community Energy Plan (see also appendix C, Capital Programme).</p> <p>Solar for business income is being closely monitored during 2017/18 in line with recent Capital investment with regard to budget assumptions going forward.</p>

(93)	<p><b><u>Compostable Collection (Brown Bins):</u></b></p> <p>We are currently in year two of a three year transitional period for the introduction of the subscription-based garden waste collection service.</p> <p>Take-up of the service has continued to be strong and it is performing well. Budgets for the scheme were prudent and performance is currently well under the levels set. There is an aspiration that it can ultimately be fully cost neutral (ie. only those that use it, pay for it) and whilst this isn't yet the case, we are working towards this outcome for the future.</p> <p>This cost centre currently includes a £50k transfer to the Invest to Save Reserve, representing one third of the projected year end position. This reflects the three year nature of the Garden Waste Scheme, and is prudent in terms of the future cost sharing arrangements.</p>
(30)	<p><b><u>Trade Waste:</u></b></p> <p>Income from Trade Waste currently forecasted to be higher than budgeted. We have seen a big increase in income during the second Quarter of the year.</p> <p>Income assumptions for this service were revisited during the 2017/18 budget setting process, which are currently being borne out by the projections.</p>
(42)	<p><b><u>Industrial and Business Units:</u></b></p> <p>Rental income is currently forecast to exceed budget, and in addition there is a forecast underspend on landlord costs as a result of better occupancy than anticipated.</p>

### 1.3 **Capital Position**

- 1.3.1 The following table gives a high level summary of capital expenditure against budget for 2017/18. Further details by capital project can be found at **Appendix C**.
- 1.3.2 The Resources Team will continue to work with Budget Holders to monitor capital spend and project progress closely for the remainder of the financial year and an updated position will be presented to this committee on a quarterly basis.

<b>Assistant Director</b>	<b>2017/18 Revised Full Year Budget</b>	<b>2017/18 Actual Spend to Date</b>	<b>2017/18 Forecast Spend</b>	<b>2017/18 External Grant Funded</b>	<b>2017/18 Carried Forward</b>	<b>2017/18 Forecast Over / (under) Spend</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Resources & Performance	3,782	101	443	101	3,440	0
HR, Legal & Democratic	14	0	14	0	0	0
Families & Communities	441	0	50	0	391	0
Planning & Regulatory	1,893	364	749	191	1,335	0
Operations	3,970	165	1,852	33	2,101	(50)
Growth	10,500	0	0	0	10,500	0
<b>Totals:</b>	<b>20,600</b>	<b>630</b>	<b>3,108</b>	<b>325</b>	<b>767</b>	<b>(50)</b>

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Summary by Assistant Director

2017/18 September Budget Monitoring Report

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Assistant Director	Full Year Budget £	Expenditure Budget to Date £	Income Budget to Date £	Net Budget to Date £	Expenditure Actual to Date £	Income Actual to Date £	Net Actual to Date £	Over/(Under) Spend to Date £	Year End Forecast Variance %	Year End Forecast Variance £
Resources & Performance	(3,488,284)	12,647,204	(20,337,841)	(7,690,637)	12,103,622	(20,378,182)	(8,274,559)	(583,922)	4.09%	142,824
Human Resources, Legal & Democratic	948,512	614,348	(118,989)	495,359	626,953	(120,862)	506,091	10,732	4.38%	41,538
Families & Communities	1,128,134	902,134	(187,768)	714,366	920,552	(264,284)	656,269	(58,097)	1.67%	(18,839)
Planning & Regulatory	(782,610)	880,398	(1,547,294)	(666,896)	755,770	(1,470,009)	(714,240)	(47,344)	3.74%	29,251
Operations	961,398	5,168,142	(4,432,337)	735,805	4,989,498	(4,522,441)	467,053	(268,752)	17.66%	(169,820)
Growth	748,424	619,477	(175,614)	443,863	725,094	(315,318)	409,776	(34,087)	3.33%	(24,953)
<b>TOTALS:</b>	<b>(484,426)</b>	<b>20,831,703</b>	<b>(26,799,843)</b>	<b>(5,968,140)</b>	<b>20,121,489</b>	<b>(27,071,096)</b>	<b>(6,949,610)</b>	<b>(981,470)</b>	<b>0.00%</b>	<b>1</b>
Interest Receivable	(181,000)	0	(90,498)	(90,498)	0	(59,205)	(59,205)	31,293	44.75%	81,000
Interest Payable	509,100	254,544	0	254,544	0	0	0	(254,544)	66.69%	(339,500)
Minimum Revenue Provision and other Capital Financing	157,969	0	(193,740)	(193,740)	0	0	0	193,740	163.64%	258,500
<b>TOTALS:</b>	<b>1,643</b>	<b>21,086,247</b>	<b>(27,084,081)</b>	<b>(5,997,834)</b>	<b>20,121,489</b>	<b>(27,130,301)</b>	<b>(7,008,815)</b>	<b>(1,010,981)</b>		<b>1</b>

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**ASSISTANT DIRECTOR - RESOURCES & PERFORMANCE**

Cost Centre Description	Full Year Budget £	Expenditure Budget to Date £	Income Budget to Date £	Net Budget to Date £	Expenditure Actual to Date £	Income Actual to Date £	Net Actual to Date £	Over/(Under) Spend to Date £	Year End Forecast Variance %	Year End Forecast Variance £	Year End Variance Notes
Resources & Performance	393,709	204,009	(700)	203,309	202,466	(815)	201,652	(1,657)	0.00%	0	
General Fund Adjustments	(5,597,939)	3,334,623	(12,146,540)	(8,811,917)	3,150,085	(12,502,854)	(9,352,769)	(540,852)	0.01%	(646)	
<b>Resources &amp; Performance:</b>	<b>(5,204,230)</b>	<b>3,538,632</b>	<b>(12,147,240)</b>	<b>(8,608,608)</b>	<b>3,352,551</b>	<b>(12,503,669)</b>	<b>(9,151,117)</b>	<b>(542,509)</b>	<b>0.01%</b>	<b>(646)</b>	
Internal Audit	66,816	38,518	(2,364)	36,154	39,407	0	39,407	3,253	2.57%	1,720	
<b>Internal Audit:</b>	<b>66,816</b>	<b>38,518</b>	<b>(2,364)</b>	<b>36,154</b>	<b>39,407</b>	<b>0</b>	<b>39,407</b>	<b>3,253</b>	<b>2.57%</b>	<b>1,720</b>	
ICT	477,826	340,767	(115,755)	225,012	286,548	(171,986)	114,563	(110,449)	2.47%	11,812	
<b>ICT:</b>	<b>477,826</b>	<b>340,767</b>	<b>(115,755)</b>	<b>225,012</b>	<b>286,548</b>	<b>(171,986)</b>	<b>114,563</b>	<b>(110,449)</b>	<b>2.47%</b>	<b>11,812</b>	
Anglia Revenues Partnership	886,485	484,908	0	484,908	542,708	(56,562)	486,146	1,238	0.00%	0	
Council Tax Administration	(189,386)	498	(126,160)	(125,662)	600	(154,235)	(153,635)	(27,973)	0.38%	(721)	
Business Rate Administration	(95,100)	498	(48,048)	(47,550)	600	(93,358)	(92,758)	(45,208)	0.39%	371	
Housing Benefits	(311,281)	7,656,911	(7,819,632)	(162,721)	6,986,186	(7,345,547)	(359,362)	(196,641)	0.46%	1,423	
<b>Anglia Revenues Partnership:</b>	<b>290,718</b>	<b>8,142,815</b>	<b>(7,993,840)</b>	<b>148,975</b>	<b>7,530,094</b>	<b>(7,649,702)</b>	<b>(119,609)</b>	<b>(268,584)</b>	<b>0.37%</b>	<b>1,073</b>	
Corporate Expenditure	861,575	567,461	(78,642)	488,819	767,872	(52,825)	715,047	226,228	2.41%	20,726	Includes £20k Tour of Britain Partnership Contribution paid in July 2017.
Non-Distributed Costs	0	0	0	0	107,802	0	107,802	107,802	0.00%	107,802	This forecast includes the council's share of the Pension Capital Costs payment in respect of ill health retirement contributions (over and above our annual allowance – linked to our current pension contribution rates) under the local government pension scheme rules.
<b>Corporate Expenditure:</b>	<b>861,575</b>	<b>567,461</b>	<b>(78,642)</b>	<b>488,819</b>	<b>875,674</b>	<b>(52,825)</b>	<b>822,849</b>	<b>334,030</b>	<b>14.92%</b>	<b>128,528</b>	
Emergency Planning	19,011	19,011	0	19,011	19,348	0	19,348	337	1.77%	337	
<b>Emergency Planning:</b>	<b>19,011</b>	<b>19,011</b>	<b>0</b>	<b>19,011</b>	<b>19,348</b>	<b>0</b>	<b>19,348</b>	<b>337</b>	<b>1.77%</b>	<b>337</b>	
<b>TOTALS: RESOURCES &amp; PERFORMANCE</b>	<b>(3,488,284)</b>	<b>12,647,204</b>	<b>(20,337,841)</b>	<b>(7,690,637)</b>	<b>12,103,622</b>	<b>(20,378,182)</b>	<b>(8,274,559)</b>	<b>(583,922)</b>	<b>4.09%</b>	<b>142,824</b>	

**ASSISTANT DIRECTOR - HUMAN RESOURCES , LEGAL & DEMOCRATIC SERVICES**

Cost Centre Description	Full Year Budget £	Expenditure Budget to Date £	Income Budget to Date £	Net Budget to Date £	Expenditure Actual to Date £	Income Actual to Date £	Net Actual to Date £	Over/(Under) Spend to Date £	Year End Forecast Variance %	Year End Forecast Variance £	Year End Variance Notes
Human Resources & Payroll	275,965	175,219	(36,848)	138,371	148,258	(36,683)	111,576	(26,795)	0.81%	2,234	
<b>Human Resources:</b>	<b>275,965</b>	<b>175,219</b>	<b>(36,848)</b>	<b>138,371</b>	<b>148,258</b>	<b>(36,683)</b>	<b>111,576</b>	<b>(26,795)</b>	<b>0.81%</b>	<b>2,234</b>	
Health & Safety	56,163	29,404	(900)	28,504	28,885	(3,107)	25,778	(2,726)	4.74%	(2,664)	
<b>Health &amp; Safety:</b>	<b>56,163</b>	<b>29,404</b>	<b>(900)</b>	<b>28,504</b>	<b>28,885</b>	<b>(3,107)</b>	<b>25,778</b>	<b>(2,726)</b>	<b>4.74%</b>	<b>(2,664)</b>	
Central Training Services	77,009	38,445	(402)	38,043	28,496	(401)	28,095	(9,948)	6.73%	(5,184)	
<b>Learning &amp; Development:</b>	<b>77,009</b>	<b>38,445</b>	<b>(402)</b>	<b>38,043</b>	<b>28,496</b>	<b>(401)</b>	<b>28,095</b>	<b>(9,948)</b>	<b>6.73%</b>	<b>(5,184)</b>	
Legal Services	123,043	144,466	(80,083)	64,383	158,784	(60,117)	98,667	34,284	6.55%	8,054	
<b>Legal Services:</b>	<b>123,043</b>	<b>144,466</b>	<b>(80,083)</b>	<b>64,383</b>	<b>158,784</b>	<b>(60,117)</b>	<b>98,667</b>	<b>34,284</b>	<b>6.55%</b>	<b>8,054</b>	
Democratic Services	109,355	56,668	0	56,668	56,835	0	56,835	167	23.50%	25,698	The forecast overspend includes the council's share of additional costs to be incurred as a result of the General Data Protection Regulation requirements.
Members Allowances & Expenses	211,550	105,997	0	105,997	109,882	0	109,882	3,885	1.14%	2,420	
Mayoralty & Civic Functions	9,713	5,277	0	5,277	3,127	(400)	2,727	(2,550)	40.61%	(3,944)	
<b>Democratic Services:</b>	<b>330,618</b>	<b>167,942</b>	<b>0</b>	<b>167,942</b>	<b>169,844</b>	<b>(400)</b>	<b>169,444</b>	<b>1,502</b>	<b>7.31%</b>	<b>24,174</b>	
Electoral Registration	89,014	46,872	(756)	46,116	79,751	(20,154)	59,596	13,480	16.77%	14,924	
Election Expenses	(3,300)	12,000	0	12,000	12,935	0	12,935	935	0.00%	0	
<b>Elections:</b>	<b>85,714</b>	<b>58,872</b>	<b>(756)</b>	<b>58,116</b>	<b>92,686</b>	<b>(20,154)</b>	<b>72,531</b>	<b>14,415</b>	<b>17.41%</b>	<b>14,924</b>	
<b>TOTALS: HR, LEGAL &amp; DEMOCRATIC</b>	<b>948,512</b>	<b>614,348</b>	<b>(118,989)</b>	<b>495,359</b>	<b>626,953</b>	<b>(120,862)</b>	<b>506,091</b>	<b>10,732</b>	<b>4.38%</b>	<b>41,538</b>	



**ASSISTANT DIRECTOR - FAMILIES & COMMUNITIES**

Cost Centre Description	Full Year Budget £	Expenditure Budget to Date £	Income Budget to Date £	Net Budget to Date £	Expenditure Actual to Date £	Income Actual to Date £	Net Actual to Date £	Over/(Under) Spend to Date £	Year End Forecast Variance %	Year End Forecast Variance £	Year End Variance Notes
Policy	128,907	68,584	0	68,584	50,088	0	50,088	(18,496)	15.96%	(20,578)	Underspend on Staffing costs arising from timing of recruitments.
<b>Policy:</b>	<b>128,907</b>	<b>68,584</b>	<b>0</b>	<b>68,584</b>	<b>50,088</b>	<b>0</b>	<b>50,088</b>	<b>(18,496)</b>	<b>15.96%</b>	<b>(20,578)</b>	
Communications	74,479	40,688	0	40,688	38,930	0	38,930	(1,758)	1.25%	932	
Website and Intranet	21,475	14,960	0	14,960	10,157	0	10,157	(4,803)	8.89%	(1,909)	
<b>Communications:</b>	<b>95,954</b>	<b>55,648</b>	<b>0</b>	<b>55,648</b>	<b>49,087</b>	<b>0</b>	<b>49,087</b>	<b>(6,561)</b>	<b>1.02%</b>	<b>(977)</b>	
Customer Services	338,543	198,033	0	198,033	218,785	0	218,785	20,752	3.48%	11,791	
Bus Stations	45,638	36,456	(6,618)	29,838	32,627	(1,071)	31,557	1,719	6.20%	2,831	
<b>Customer Services:</b>	<b>384,181</b>	<b>234,489</b>	<b>(6,618)</b>	<b>227,871</b>	<b>251,412</b>	<b>(1,071)</b>	<b>250,342</b>	<b>22,471</b>	<b>3.81%</b>	<b>14,622</b>	
Families & Communities	175,428	105,885	(14,040)	91,845	83,642	(1,464)	82,178	(9,667)	6.06%	(10,633)	Forecast underspend on staffing costs arising from changes to working patterns and staff vacancies.
Community Chest - Families & Communities	89,750	236,286	(146,536)	89,750	196,779	(111,030)	85,748	(4,002)	0.00%	0	
Health, Culture & Arts	10,000	4,998	0	4,998	3,191	0	3,191	(1,807)	0.00%	0	
Community Centres	2,870	2,870	0	2,870	4,220	(1,144)	3,076	206	3.10%	89	
<b>Families &amp; Communities:</b>	<b>278,048</b>	<b>350,039</b>	<b>(160,576)</b>	<b>189,463</b>	<b>287,832</b>	<b>(113,638)</b>	<b>174,193</b>	<b>(15,270)</b>	<b>3.79%</b>	<b>(10,544)</b>	
Housing Options: Choice Based Lettings	54,108	42,345	(3,402)	38,943	141,300	(103,610)	37,690	(1,253)	9.99%	5,408	
Housing Options: Advice & Prevention	124,053	104,854	(7,344)	97,510	109,267	(40,737)	68,530	(28,980)	4.10%	5,090	
Housing Options: Solutions	52,008	23,150	0	23,150	14,842	(440)	14,402	(8,748)	20.38%	(10,600)	Underspend arising from Staffing Vacancies.
Non-HRA Housing Properties	10,875	23,025	(9,828)	13,197	16,724	(4,788)	11,937	(1,260)	11.59%	(1,260)	
<b>Housing Options:</b>	<b>241,044</b>	<b>193,374</b>	<b>(20,574)</b>	<b>172,800</b>	<b>282,133</b>	<b>(149,575)</b>	<b>132,559</b>	<b>(40,241)</b>	<b>0.57%</b>	<b>(1,362)</b>	
<b>TOTALS: FAMILIES &amp; COMMUNITIES</b>	<b>1,128,134</b>	<b>902,134</b>	<b>-187,768</b>	<b>714,366</b>	<b>920,552</b>	<b>-264,284</b>	<b>656,269</b>	<b>-58,097</b>	<b>1.67%</b>	<b>-18,839</b>	

**ASSISTANT DIRECTOR - PLANNING & REGULATORY SERVICES**

Cost Centre Description	Full Year Budget £	Expenditure Budget to Date £	Income Budget to Date £	Net Budget to Date £	Expenditure Actual to Date £	Income Actual to Date £	Net Actual to Date £	Over/(Under) Spend to Date £	Year End Forecast Variance %	Year End Forecast Variance £	Year End Variance Notes
Development Control	(253,915)	224,820	(345,252)	(120,432)	193,195	(359,184)	(165,989)	(45,557)	5.59%	(14,193)	Planning Applications income exceeding budget
<b>Development Control:</b>	<b>(253,915)</b>	<b>224,820</b>	<b>(345,252)</b>	<b>(120,432)</b>	<b>193,195</b>	<b>(359,184)</b>	<b>(165,989)</b>	<b>(45,557)</b>	<b>5.59%</b>	<b>(14,193)</b>	
Land Charges	(41,578)	26,495	(55,500)	(29,005)	17,323	(63,990)	(46,667)	(17,662)	66.67%	(27,722)	Land Charges income exceeding budget
Building Control	(31,838)	69,466	(88,446)	(18,980)	65,523	(62,287)	3,236	22,216	149.03%	47,447	Fee income/Energy Assessments currently expected to underachieve by £45k. Budget under review.
Planning & Regulatory Support	172,548	90,122	0	90,122	96,646	0	96,646	6,524	3.17%	5,472	
<b>Business (BC &amp; Support):</b>	<b>99,132</b>	<b>186,083</b>	<b>(143,946)</b>	<b>42,137</b>	<b>179,492</b>	<b>(126,277)</b>	<b>53,215</b>	<b>11,078</b>	<b>25.42%</b>	<b>25,197</b>	
Prevention of Pollution	27,654	18,372	(4,860)	13,512	8,315	(6,318)	1,997	(11,515)	0.02%	(5)	
Environmental Management	(47,975)	16,795	(40,200)	(23,405)	17,131	(18,709)	(1,578)	21,827	68.15%	32,695	Solar for business income currently expected to underachieve by £30k due to lower Capital investment than previously assumed. £10k Provision for Contamination Costs
Drinking Water Quality	23,822	12,691	(168)	12,523	12,692	(3,832)	8,860	(3,663)	21.48%	(5,117)	
Climate Change	21,953	17,405	0	17,405	18,425	0	18,425	1,020	9.62%	2,112	
Solar Farm	(921,000)	184,102	(933,000)	(748,898)	115,802	(862,465)	(746,664)	2,234	0.01%	(59)	
Home Energy Conservation	3,508	3,102	(1,356)	1,746	3,242	0	3,242	1,496	54.79%	1,922	
<b>Environment:</b>	<b>(892,038)</b>	<b>252,467</b>	<b>(979,584)</b>	<b>(727,117)</b>	<b>175,607</b>	<b>(891,324)</b>	<b>(715,718)</b>	<b>11,399</b>	<b>3.54%</b>	<b>31,548</b>	
Licensing	(7,646)	46,853	(47,670)	(817)	50,529	(56,332)	(5,804)	(4,987)	2.26%	(173)	
Hackney Carriage & Private Hire Licensing	(50,895)	1,188	(26,634)	(25,446)	1,436	(32,641)	(31,205)	(5,759)	1.80%	(915)	
Food Safety	64,043	33,677	(1,552)	32,125	26,351	(156)	26,195	(5,930)	8.01%	(5,131)	
Health & Safety at Work Act/Enforcement	47,317	25,067	(1,300)	23,767	24,739	0	24,739	972	1.78%	842	
<b>Business Reg &amp; Licensing:</b>	<b>52,819</b>	<b>106,785</b>	<b>(77,156)</b>	<b>29,629</b>	<b>103,055</b>	<b>(89,129)</b>	<b>13,925</b>	<b>(15,704)</b>	<b>10.18%</b>	<b>(5,377)</b>	
Housing Renewals	77,413	39,683	(96)	39,587	31,042	(100)	30,943	(8,644)	4.71%	(3,649)	
Burial of the Dead	9,142	4,459	(18)	4,441	5,447	186	5,633	1,192	25.91%	2,369	
Other Public Health Services	124,837	66,101	(1,242)	64,859	67,932	(4,181)	63,751	(1,108)	5.32%	(6,644)	
<b>Public Health &amp; Housing:</b>	<b>211,392</b>	<b>110,243</b>	<b>(1,356)</b>	<b>108,887</b>	<b>104,421</b>	<b>(4,095)</b>	<b>100,327</b>	<b>(8,560)</b>	<b>3.75%</b>	<b>(7,924)</b>	
<b>TOTALS: PLANNING</b>	<b>-782,610</b>	<b>880,398</b>	<b>-1,547,294</b>	<b>-666,896</b>	<b>755,770</b>	<b>-1,470,009</b>	<b>-714,240</b>	<b>-47,344</b>	<b>3.74%</b>	<b>29,251</b>	

**ASSISTANT DIRECTOR - OPERATIONS**

Cost Centre Description	Full Year Budget £	Expenditure Budget to Date £	Income Budget to Date £	Net Budget to Date £	Expenditure Actual to Date £	Income Actual to Date £	Net Actual to Date £	Over/(Under) Spend to Date £	Year End Forecast Variance %	Year End Forecast Variance £	Year End Variance Notes
Pool Cars	516	516	0	516	513	0	513	(3)	0.58%	(3)	
Vehicle Workshop Trading Account - FHDC	0	0	0	0	2,062	0	2,062	2,062	0.00%	0	
<b>Fleet Management:</b>	<b>516</b>	<b>516</b>	<b>0</b>	<b>516</b>	<b>2,575</b>	<b>0</b>	<b>2,575</b>	<b>2,059</b>	<b>0.58%</b>	<b>(3)</b>	
Depots	(38,230)	51,104	(100,245)	(49,141)	45,702	(95,755)	(50,053)	(912)	2.82%	1,077	
Grounds Maintenance Operatives	0	0	0	0	5,993	197	6,190	6,190	0.00%	6,190	
Waste & Cleansing Operatives	(40,380)	957,531	(1,575,052)	(617,521)	1,017,047	(1,574,680)	(557,633)	59,888	6.11%	2,468	
Markets	71,007	87,652	(13,674)	73,978	87,397	(11,633)	75,764	1,786	2.18%	1,545	
<b>Operational:</b>	<b>(7,603)</b>	<b>1,096,287</b>	<b>(1,688,971)</b>	<b>(592,684)</b>	<b>1,156,139</b>	<b>(1,681,871)</b>	<b>(525,732)</b>	<b>66,952</b>	<b>148.36%</b>	<b>11,280</b>	
Street Cleansing	603,084	523,537	(3,354)	520,183	475,841	5,186	481,027	(39,156)	2.10%	12,690	
Refuse Collection (Black Bin)	421,839	390,721	(5,988)	384,733	395,238	0	395,238	10,505	5.64%	23,782	Staffing costs forecast to be £12k over budget, and Fee income £12k short of budget.
Recycling Collection (Blue Bin)	348,058	391,153	(45,790)	345,363	385,403	(56,112)	329,291	(16,072)	0.03%	109	Includes £55k transfer to the Invest to Save Reserve.
Compostable Collection (Brown Bin)	100,282	381,842	(379,600)	2,242	251,968	(456,975)	(205,007)	(207,249)	92.70%	(92,964)	Includes £50k transfer to the Invest to Save Reserve.
Bulky, Fridges, Metal & Scrap Collection	42,306	50,573	(8,514)	42,059	52,481	(16,569)	35,912	(6,147)	22.99%	(9,728)	
Clinical & Hazardous Waste Collection	4,191	2,586	(510)	2,076	5,614	(233)	5,380	3,304	62.61%	2,624	
Multi-Bank Recycling Sites	(37,153)	14,850	(28,576)	(13,726)	3,516	(23,613)	(20,097)	(6,371)	28.58%	(10,618)	
Trade Waste	(83,881)	237,826	(456,675)	(218,849)	270,273	(469,877)	(199,604)	19,245	21.67%	(18,174)	Income exceeding budgeted levels.
<b>Waste - Business &amp; Commercial</b>	<b>1,398,726</b>	<b>1,993,088</b>	<b>(929,007)</b>	<b>1,064,081</b>	<b>1,840,334</b>	<b>(1,018,193)</b>	<b>822,140</b>	<b>(241,941)</b>	<b>6.60%</b>	<b>(92,279)</b>	
Property Services	327,733	167,141	(1,614)	165,527	166,361	(2,271)	164,090	(1,437)	4.37%	(14,312)	Underspend on Staffing costs.
<b>Property Maintenance:</b>	<b>327,733</b>	<b>167,141</b>	<b>(1,614)</b>	<b>165,527</b>	<b>166,361</b>	<b>(2,271)</b>	<b>164,090</b>	<b>(1,437)</b>	<b>4.37%</b>	<b>(14,312)</b>	
Industrial & Business Units	(602,882)	577,577	(632,300)	(54,723)	565,350	(671,253)	(105,903)	(51,180)	6.89%	(41,561)	Industrial rent income currently forecasted to exceed budget, reflecting better occupancy levels than previously anticipated. Ongoing budget being reviewed
Town Centres & Shops	(876,242)	30,833	(443,703)	(412,870)	38,826	(342,698)	(303,872)	108,998	0.68%	5,970	
<b>Property Management:</b>	<b>(1,479,124)</b>	<b>608,410</b>	<b>(1,076,003)</b>	<b>(467,593)</b>	<b>604,176</b>	<b>(1,013,951)</b>	<b>(409,775)</b>	<b>57,818</b>	<b>2.41%</b>	<b>(35,591)</b>	

Detail by Assistant Director

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Offices: College Heath Road	(138,780)	168,015	(330,457)	(162,442)	165,637	(348,379)	(182,743)	(20,301)	3.61%	5,016	
Offices: Brandon & Newmarket Guineas	(19,200)	11,802	(34,287)	(22,485)	28,576	(34,287)	(5,711)	16,774	70.43%	13,523	
Public Conveniences	52,039	39,018	(5,202)	33,816	50,275	(2,353)	47,922	14,106	21.86%	11,374	
CCTV	89,752	67,067	0	67,067	27,587	0	27,587	(39,480)	1.09%	(980)	
District Highways Services	(7,880)	12,924	(360)	12,564	10,000	(2,120)	7,880	(4,684)	73.86%	(5,820)	
Land Drainage & Associated Works	74,500	37,250	0	37,250	78,919	0	78,919	41,669	5.93%	4,419	
<b>Facilities, CCTV &amp; Highways Services:</b>	<b>50,431</b>	<b>336,076</b>	<b>(370,306)</b>	<b>(34,230)</b>	<b>360,994</b>	<b>(387,139)</b>	<b>(26,146)</b>	<b>8,084</b>	<b>54.59%</b>	<b>27,532</b>	
Courier & Postal Service	58,929	30,690	0	30,690	900	8,514	9,414	(21,276)	22.31%	(13,146)	
Printing & Copying Service	46,103	28,547	(2,988)	25,559	11,372	667	12,039	(13,520)	33.74%	(15,556)	Staffing costs underspent. Budget under review.
<b>Central Services:</b>	<b>105,032</b>	<b>59,237</b>	<b>(2,988)</b>	<b>56,249</b>	<b>12,272</b>	<b>9,181</b>	<b>21,453</b>	<b>(34,796)</b>	<b>27.33%</b>	<b>(28,702)</b>	
Off Street Car Parks	(369,192)	209,367	(299,020)	(89,653)	238,186	(331,520)	(93,335)	(3,682)	4.81%	(17,772)	Income levels currently forecast to exceed the budget.
<b>Car Parking:</b>	<b>(369,192)</b>	<b>209,367</b>	<b>(299,020)</b>	<b>(89,653)</b>	<b>238,186</b>	<b>(331,520)</b>	<b>(93,335)</b>	<b>(3,682)</b>	<b>4.81%</b>	<b>(17,772)</b>	
Arboriculture (Tree Maintenance Works)	97,827	29,244	0	29,244	22,722	0	22,722	(6,522)	3.61%	(3,535)	
Other Parks and Play Provision	259,098	155,825	(5,730)	150,095	194,447	(50,433)	144,013	(6,082)	5.31%	(13,754)	
Children's Play Areas	60,639	42,938	0	42,938	36,418	(6,065)	30,353	(12,585)	6.91%	(4,188)	
Cemeteries & Closed Churchyards	0	0	0	0	9,475	(25,464)	(15,989)	(15,989)	0.00%	0	
Allotments	0	0	0	0	0	(214)	(214)	(214)	0.00%	(214)	
<b>Parks &amp; Open Spaces</b>	<b>417,564</b>	<b>228,007</b>	<b>(5,730)</b>	<b>222,277</b>	<b>263,062</b>	<b>(82,176)</b>	<b>180,885</b>	<b>(41,392)</b>	<b>5.19%</b>	<b>(21,691)</b>	
Sports & Leisure Centres	484,512	433,198	(49,950)	383,248	304,052	(6,875)	297,177	(86,071)	1.04%	5,027	
Leisure & Sports	22,000	15,915	0	15,915	8,445	0	8,445	(7,470)	0.00%	0	
<b>Sports &amp; Leisure Development</b>	<b>506,512</b>	<b>449,113</b>	<b>(49,950)</b>	<b>399,163</b>	<b>312,497</b>	<b>(6,875)</b>	<b>305,622</b>	<b>(93,541)</b>	<b>0.99%</b>	<b>5,027</b>	
Arts, Heritage & Cultural Services	10,333	7,252	(498)	6,754	6,358	(82)	6,276	(478)	9.38%	(969)	
<b>Heritage</b>	<b>10,333</b>	<b>7,252</b>	<b>(498)</b>	<b>6,754</b>	<b>6,358</b>	<b>(82)</b>	<b>6,276</b>	<b>(478)</b>	<b>9.38%</b>	<b>(969)</b>	
Shopmobility	8,340	6,668	0	6,668	5,000	0	5,000	(1,668)	18.47%	(1,540)	
The Pavilion - Lady Wolverton Playingfield	(7,870)	6,980	(8,250)	(1,270)	5,874	(7,544)	(1,670)	(400)	10.17%	(800)	
Palace House and Stables	0	0	0	0	15,670	0	15,670	15,670	0.00%	0	
Halls & Events	470	13,648	(8,250)	5,398	26,544	(7,544)	19,000	13,602	497.87%	(2,340)	
<b>TOTALS: OPERATIONS</b>	<b>961,398</b>	<b>5,168,142</b>	<b>(4,432,337)</b>	<b>735,805</b>	<b>4,989,498</b>	<b>(4,522,441)</b>	<b>467,053</b>	<b>(268,752)</b>	<b>17.66%</b>	<b>(169,820)</b>	

ASSISTANT DIRECTOR - GROWTH

Detail by Assistant Director

2017/18 September Budget Monitoring Report

Cost Centre Description	Full Year Budget £	Expenditure Budget to Date £	Income Budget to Date £	Net Budget to Date £	Expenditure Actual to Date £	Income Actual to Date £	Net Actual to Date £	Over/(Under) Spend to Date £	Year End Forecast Variance %	Year End Forecast Variance £	Year End Variance Notes
Housing Development & Strategy	71,205	43,262	(7,176)	36,086	35,368	(2,216)	33,151	(2,935)	5.33%	(3,795)	
Gypsies & Travellers	13,642	6,709	(18)	6,691	9,643	(17)	9,627	2,936	3.53%	482	
<b>Housing Development &amp; Strategy:</b>	<b>84,847</b>	<b>49,971</b>	<b>(7,194)</b>	<b>42,777</b>	<b>45,011</b>	<b>(2,233)</b>	<b>42,778</b>	<b>1</b>	<b>3.90%</b>	<b>(3,313)</b>	
Strategic Property	41,405	21,204	(498)	20,706	14,784	0	14,784	(5,922)	2.12%	(879)	
<b>Strategic Property</b>	<b>41,405</b>	<b>21,204</b>	<b>(498)</b>	<b>20,706</b>	<b>14,784</b>	<b>0</b>	<b>14,784</b>	<b>(5,922)</b>	<b>2.12%</b>	<b>(879)</b>	
Housing Business & Partnerships	27,598	14,016	(222)	13,794	22,275	(7,318)	14,957	1,163	21.88%	6,038	
<b>Housing Business &amp; Partnerships:</b>	<b>27,598</b>	<b>14,016</b>	<b>(222)</b>	<b>13,794</b>	<b>22,275</b>	<b>(7,318)</b>	<b>14,957</b>	<b>1,163</b>	<b>21.88%</b>	<b>6,038</b>	
Planning Policy	368,117	250,057	(10,308)	239,749	242,370	(34,680)	207,690	(32,059)	6.20%	(22,810)	Expected underspend due to vacancies in the team
Local Plan	6,600	144,546	(141,246)	3,300	164,501	(160,191)	4,310	1,010	34.70%	(2,290)	
<b>Place Shaping:</b>	<b>374,717</b>	<b>394,603</b>	<b>(151,554)</b>	<b>243,049</b>	<b>406,871</b>	<b>(194,871)</b>	<b>212,000</b>	<b>(31,049)</b>	<b>6.70%</b>	<b>(25,100)</b>	
Economic Development & Growth	175,324	111,679	(16,146)	95,533	218,797	(110,896)	107,901	12,368	0.65%	(1,146)	
Strategic Tourism & Markets	29,853	20,666	0	20,666	17,697	0	17,697	(2,969)	0.48%	143	
Vibrant Town Centres	14,680	7,338	0	7,338	(341)	0	(341)	(7,679)	4.74%	(696)	
<b>Economic Development &amp; Growth:</b>	<b>219,857</b>	<b>139,683</b>	<b>(16,146)</b>	<b>123,537</b>	<b>236,153</b>	<b>(110,896)</b>	<b>125,257</b>	<b>1,720</b>	<b>0.77%</b>	<b>(1,699)</b>	
<b>TOTALS: GROWTH:</b>	<b>748,424</b>	<b>619,477</b>	<b>-175,614</b>	<b>443,863</b>	<b>725,094</b>	<b>-315,318</b>	<b>409,776</b>	<b>-34,087</b>	<b>3.33%</b>	<b>-24,953</b>	

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## 2017/18 September Capital Budget Monitoring Report

Project Description	Revised Budget for Year £	Actual Spend Year to date £	2017-18 Forecast Actual Spend £	2017/18 Funded from External Grants £	2017-18 Carry Forward Requested £	Over/ (Under) Spend for Year £	Notes
<b>Resources &amp; Performance</b>							
Home of Horseracing Project	0	100,525	100,525	100,525	0	0	Project ongoing, the viewing stand is still to be completed and lease to be signed. All expenditure in 2017/18 will be fully funded by donations.
Invest to Save Projects	282,000	0	282,000	0	0	0	Expected to be fully spent, Budget will be allocated to projects as they arise
Leisure Capital Investment Fund	3,500,000	0	60,000	0	3,440,000	0	Work continues on the investment opportunities with Abbeycroft and business cases are due to be considered by Cabinet in due course.
<b>Human Resources, Legal &amp; Democratic</b>							
Health & Safety Management Software	14,000	0	14,000	0	0	0	To be spent in 2017/18. Budget transferred from invest to save project in line with existing delegations.
<b>Families &amp; Communities</b>							
CRM Project	36,450	0	0	0	36,450	0	Project progressing, spend profile according to the Customer Access Business Case.
Affordable Housing	405,000	0	50,000	0	355,000	0	£50k forecast to be spent in this financial year, remainder to be carried forward
<b>Planning &amp; Regulatory</b>							
Private Sector Disabled Facilities Grants	175,000	41,329	175,000	0	0	0	We commenced performance improvement conversations in July with the provider. We are planning a review of the service with a view of making recommendations to Suffolk CEO group (SCOLT) on any system changes.
Private Sector Renewal Grants	220,000	25,236	95,396	0	124,604	0	Spend expected to be lower than budget as a result of lower demand. Budget review ongoing.
Historic Buildings Grant	15,000	350	15,000	0	0	0	Applications have been submitted to utilise budget in 17/18.
Community Energy Plan	1,482,821	105,888	272,355	0	1,210,466	0	Several projects in the pipeline for 2017/18 which will generate additional income in future years. Remainder requested to be carried forward for new projects in future years.
Parish Council S106 Grants	0	190,824	190,824	190,824	0	0	Projects funded from S106 monies.
<b>Operations</b>							
Asset Management Plan	636,271	0	636,271	0	0	0	To be allocated to projects as Business Cases are approved.
Vehicle & Plant Purchases	314,000	101,970	314,000	0	0	(0)	Spend expected to be in line with the budget and the Vehicle, Plant & Equipment Programme.
Leisure Centre Brandon	50,000	0	0	0	0	(50,000)	Project complete, remaining budget to be retained in Capital receipts
Swimming Pool Mildenhall	250,000	0	0	0	250,000	0	Project not expected to complete in 2017/18. Carry forward requested.
Flowerpot Brandon	50,000	0	0	0	50,000	0	Project under review.
Playground Improvements	0	28,730	28,730	28,730	0	0	Project funded from S106 monies and the Leisure Reserve.
Waste & Street Scene Back Office System	54,128	4,483	54,128	0	0	0	Project expected to complete in 2017/18.
Refurbishment & Upgrade of Communal Areas, Harvey Adam Enterprise Centre	25,595	25,595	25,595	0	0	0	Project completed
West Suffolk Operational Hub	2,589,750	0	788,571	0	1,801,179	0	Project budget approved and currently going through planning application stage.
Red Lodge Nature Reserve	0	4,600	4,600	4,600	0	0	Project funded from S106 monies.
<b>Growth</b>							
Wellington Street Newmarket - Wider Pedestrianisation Scheme	150,000	0	0	0	150,000	0	Will not be spent in 2017/18. Currently under review to be included as part of the Newmarket Masterplan
Private Housing Company	350,000	0	0	0	350,000	0	No loan drawdown expected on Barley Homes this financial year. Carry forward requested
Investing in our Growth Agenda	10,000,000	0	0	0	10,000,000	0	Several proposals under review but no spend expected in this financial year.
<b>TOTALS;</b>	<b>20,600,015</b>	<b>629,530</b>	<b>3,106,996</b>	<b>324,679</b>	<b>17,767,699</b>	<b>(49,999)</b>	

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**Earmarked Reserves**

**2017/18 September Budget Monitoring Report**

Reserve Details	2017/18 Opening Balance	2017/18 Budgeted Movement	2017/18 Budgeted Closing Balance	2017/18 Current Balance	2017/18 Forecast Closing Balance	2017/18 Forecast Variance (Under) / Over	Notes
Investing in our Growth Agenda Reserve	0	500,000	500,000	0	500,000	0	This is a new reserve which has been set up to support the delivery of the council's growth agenda, £500k in this year and a further £500k to be utilised in 2018/19. Reports CAB/FH/17/018 and COU/FH/17/004 refer.
Capital Project Financing Reserve	0	0	0	0	202,441	(202,441)	This is a new Reserve which has been set up in order to facilitate the Capital Financing requirements of the council, and to account for fluctuations and timing differences in the expected spend profile.
Strategic Priorities & MTFS Reserve	8,317,190	(5,263,318)	3,053,871	9,161,652	7,704,337	(4,650,466)	Budgeted Reserve movement includes £5.9m Capital Programme Funding for 2017/18. The under-utilisation of £4.6m relates to timings on the Leisure Capital Investment Fund and Community Energy Plan projects, and represents the amount of budget requested to be carried forward into 2018/19.
Invest to Save Reserve	379,543	(151,177)	228,366	459,971	337,343	(108,977)	Budgeted utilisation during 2017/18 includes funding for the Waste & Street Scene Back Office System - see also appendix C. Closing balance Includes £3.9k transfer from the Local Land Charges Reserve, £55k from Blue Bin Recycling and £50k from Garden Waste.
Risk/Recession Reserve	421,323	(237,000)	184,323	408,023	171,023	13,300	Feasibility Studies for Newmarket Cinema funded from this reserve, as per report CAB/FH/031 and subsequent portfolio holder agreement.
BRR Equalisation Reserve	35,886	665,926	701,812	517,275	920,274	(218,462)	Increased reserve contribution resulting from reduction in Suffolk Pool receipts forecasted, offset by reduced levy payable to pool and increase in S31 grants. Net effect of £218k benefit to FHDC.
Self Insured Fund	111,069	25,000	136,069	186,069	136,069	0	
Computer & Telephone Equipment Reserve	158,527	35,000	193,527	184,792	184,792	8,735	Utilised towards hardware refreshes.
HB Equalisation Reserve	161,046	107,320	268,366	261,046	268,366	0	

**Earmarked Reserves**

**2017/18 September Budget Monitoring Report**

Reserve Details	2017/18 Opening Balance	2017/18 Budgeted Movement	2017/18 Budgeted Closing Balance	2017/18 Current Balance	2017/18 Forecast Closing Balance	2017/18 Forecast Variance (Under) / Over	Notes
Professional Fees Reserve	74,780	35,000	109,780	109,780	109,780	0	
ARP Reserve	412,879	(95,168)	317,711	325,285	325,285	(7,574)	Closing balance includes additional New Burdens Grant Funding received in 2017/18.
Vehicle & Plant Renewal Fund	443,601	16,000	459,601	773,601	459,601	0	In line with expected spend on Vehicles, Plant & Equipment in the year.
Waste Management Reserve	112,256	0	112,256	112,256	112,256	0	No movement expected during 2017/18.
BR-Building Repairs Reserve - Leisure	0	27,932	27,932	27,932	27,932	0	
BR-Building Repairs Reserve - Other	25,907	136,170	162,077	412,122	245,607	(83,530)	Forecasted Spend on Building Repairs & Maintenance currently expected to be below budget for 2017/18.
Industrial Units - Service Charges	0	0	0	577	577	(577)	This is a new reserve set up in 2017/18 in order to hold monies received from Industrial Service Charges which are to be allocated to specific spend in line with the lease agreements.
Car Park Development Fund	56,170	(56,170)	(1)	0	(1)	0	
Commuted Maintenance Reserve	503,355	(8,000)	495,355	503,355	495,355	0	
Newmarket Stallion Statue Reserve	22,459	0	22,459	20,809	20,809	1,650	
Leisure Reserve	27,932	(27,932)	0	0	0	0	
Communities against Drugs Reserve	30,000	0	30,000	30,000	30,000	0	No movement expected during 2017/18.
Planning Reserve	25,835	75,500	101,335	223,643	101,335	0	Reserve used to fund Local Plan work.
Building Regulations Charging Reserve	1	0	1	1	1	0	
Planning Delivery Grant	87,597	(30,300)	57,297	79,947	59,847	(2,550)	Includes Capital Programme funding for Historic Building Grants, see Appendix C.
Local Land Charges Reserve	54,009	(50,032)	3,977	0	0	3,977	Balance on this reserve now transferred to the Invest to save Reserve.
Planning Policy Statement Climate Change	2,579	(2,579)	0	0	0	0	Monies held from DCLG grant received. Expected to be fully utilised during 2017/18.
S106 Monitoring Officer Reserve	35,564	(20,621)	14,943	9,639	6,984	7,959	
Implementing Smoke Free Legislation	7,758	(7,758)	0	0	0	0	Monies held from DCLG grant received. Expected to be fully utilised during 2017/18.
Homelessness Legislation Reserve	127,736	13,828	141,564	226,238	152,224	(10,660)	Budget includes contributions in respect of the DCLG Flexible Homelessness Support Grant which is being utilised to support the Housing Options Team.
S106 Revenue Reserve	127,305	0	127,305	175,425	125,150	2,155	

**Earmarked Reserves**

**2017/18 September Budget Monitoring Report**

Reserve Details	2017/18 Opening Balance	2017/18 Budgeted Movement	2017/18 Budgeted Closing Balance	2017/18 Current Balance	2017/18 Forecast Closing Balance	2017/18 Forecast Variance (Under) / Over	Notes
Election Reserve	43,091	10,000	53,091	63,655	63,656	(10,565)	Additional closing balance includes Individual Electoral Registration (IER) Income moved to reserve for future utilisation
Staff Training Reserve	22,582	(22,582)	0	0	0	0	
<b>Forest Heath Totals</b>	<b>11,827,978</b>	<b>(4,324,961)</b>	<b>7,503,017</b>	<b>14,273,093</b>	<b>12,761,043</b>	<b>(5,055,585)</b>	

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# Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Delivering a Sustainable Medium Term Financial Strategy 2018-2021</b>	
<b>Report No:</b>	<b>PAS/FH/17/038</b>	
<b>Report to and date/s:</b>	<b>Performance and Audit Scrutiny Committee</b>	29 November 2017
	<b>Cabinet</b>	12 December 2017
<b>Portfolio holder:</b>	Stephen Edwards Portfolio Holder for Resources and Performance <b>Tel:</b> 01799 530325 <b>Email:</b> <a href="mailto:stephen.edwards@forest-heath.gov.uk">stephen.edwards@forest-heath.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Assistant Director (Resources and Performance) <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	The purpose of this report is to update members on progress made towards delivering a balanced budget for 2018/19 and sustainable budget in the medium term, and to recommend to Cabinet inclusion of the proposals in the report to progress securing a balanced budget for 2018/19 and sustainable budget in the medium term.	
<b>Recommendation:</b>	<b>It is <u>RECOMMENDED</u> that members:</b>  1) <b>Note</b> the budget assumptions (outlined in Appendix A) and timetable (at 6.1), along with the progress made to date on delivering a balanced budget for 2018/19 and sustainable budget in the medium term; and  2) Recommend to Cabinet the <b>inclusion of the proposals</b> , as detailed in section 5 and Table 2 at paragraph 5.1 of this report.	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i>		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<b>Consultation:</b>		<ul style="list-style-type: none"> <li>Leadership team (LT), Portfolio Holders and staff are consulted during this budget process</li> </ul>	
<b>Alternative option(s):</b>		<ul style="list-style-type: none"> <li>Other options could be proposed and considered by members. They would need to take into account core principles such as deliverability, affordability and risk.</li> </ul>	
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> As detailed in the body of this Report	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Whilst it should be stated that this is an unlikely event there is a requirement under The Local Government Finance Act 1988 (S114) - for the Chief Finance Officer to report to councillors if there is or is likely to be an unbalanced budget.	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> No significant implications anticipated, however further consideration will be given as part of the implementation of each service change	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk (before controls)</b>	<b>Controls</b>	<b>Residual risk (after controls)</b>
	Low/Medium/ High*		Low/Medium/ High*
Impact of changing financial circumstances is different across the two West Suffolk councils potentially in the longer terms, leading to diverging strategies (e.g. different focus by the councils on service impacts or investment projects).	High	A single leadership team working with the two councils' Cabinets to take an overview; spotting pressure points and possible innovative approaches; and recommending appropriate actions to members. Consider further shared working, joint decisions etc.	Medium
Savings/income projections are not achieved resulting in budget deficit.	Medium	Budgetary control, including reporting of variances to members. Use of general fund reserves to cover budget deficits.	Low

The business rate retention scheme underachieving the yield assumed in the MTFS which impacts on the budget gap requirement.	High	Work with the Anglia Revenues Partnership team to monitor the position and deliver a realistic forecast.	Medium
Adverse changes in the assumptions, for example changes to the provisional formula grant settlement, used in the MTFS resulting in a larger budget gap.	Medium	The assumptions are regularly monitored and updated. Use of general fund reserves to cover budget deficits.	Low
100% Business rates Retention implementation prior to 2020 and rules therein.	Low	Constant monitoring of guidance issued and reflection in assumption	Low
<b>Ward(s) affected:</b>	All Wards		
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>	<a href="#">COU/FH/17/005</a> - Budget and council Tax Setting 2017/18  <a href="#">CAB/FH/17/007</a> - Delivering a Sustainable Medium Term Financial Strategy 2017-2020  <a href="#">OAS/FH/17/023</a> and <a href="#">Appendix B</a> - Draft West Suffolk Strategic Framework		
<b>Documents attached:</b>	<b>Appendix A</b> - Budget Assumptions 2018/19 and across the MTFS		

## **1. Key issues and reasons for recommendation(s)**

- 1.1 The interaction between the emerging West Suffolk Strategic Plan (included on the Overview and Scrutiny Committee on 9 November 2017) and West Suffolk Medium Term Financial Strategy (MTFS) continues to be increasingly important in the setting of budgets, as the council's priorities will need to be used to inform real choices about the allocation of limited resources.
- 1.2 Our MTFS document also sets out the approach that Forest Heath District Council will take to the sound management of its finances over the medium term, in particular the next three years 2018-2021.

## **2. Future budget pressure and challenges**

- 2.1 Forest Heath continues to face considerable financial challenges as a result of increased cost and demand, plus pressures and constraints on public sector spending (Revenue Support Grant) from central government, as evidenced by the proposed four year government settlement. It is clear that even without the proposed reductions in Revenue Support Grant (RSG), the council has underlying net cost pressures. This includes costs rising faster than income inflation.
- 2.2 There continues to be increasing demand for support and advice relating to housing options and homelessness. Whilst the council has already increased staffing levels in the housing team, this additional demand is likely to continue for the foreseeable future. Demand pressures are as a result of continued welfare reform challenges, including the introduction of Universal Credit, the affordability of the local housing market and changes to Homelessness legislation which comes into force from April 2018. The Homelessness Reduction Act 2017 will increase the demand on the housing team with more people now being eligible for advice and prevention support, and relief from homelessness duties, than under existing legislation. Affordability and accessibility of the private rented sector is crucial in order for the council to discharge its new duties under the new act and, as for many councils, this will present a challenge. The continued inclusion of temporary accommodation in Universal Credit is likely to impact on the money the council receives to fund this accommodation compared to housing benefit.
- 2.3 The MTFS 2017-2020, approved at Full Council on 22 February 2017 (Report COU/FH/17/005), sets out further current and future financial pressures and challenges facing Forest Heath.
- 2.4 The implementation towards a 100% Business Rates Retention scheme and the review of the needs based assessment/formula that underpins our financial needs settlement from central government are both planned to be implemented in 2020/21. Both changes create significant uncertainty to the council's medium term financial planning assumptions.
- 2.5 The worst case scenario for the review of the needs based assessment/formula could be to re-set our financial needs settlement right back to a steady level of growth from 2013 rather than that actually



experienced in Forest Heath, thus removing the majority of the growth we retain under the current 50% BRR scheme. This would remove a significant amount of income (worst case - £0.4m) from the budget in 2020/21. This situation will be monitored and reviewed as information becomes available. We will continue to lobby and input into DCLG consultations in order to make our position clear.

### 3. Budget gap and budget assumptions

- 3.1 A balanced budget was set for FHDC as a result of last years MTFS process but after following the methodology in section 4 there is a current budget deficit position of £22k for 2018/19 but this moves to an accumulated deficit of £110k for the period 2018-2021. This is predominantly driven by increasing demand for homelessness support (section 2.2).

**Table 1: Budget gap for 2018/19-2020/21**

	18/19 £000	19/20 £000	20/21 £000
Budget gap per MTFS:			
2018/19	22	22	22
2019/20		39	39
2020/21			48
<b>Cumulative Gap</b>	<b>22</b>	<b>62</b>	<b>110</b>

- 3.2 This budget gap does not include, at this stage, any variation or profile changes either positively or negatively in respect of income/savings for the councils significant growth projects such as delivering our growth agenda (£20m investment fund), Mildenhall Hub or Barley Homes 5 year delivery plan. These are currently under review along with consideration of the overall resources and skills required to enable the delivery of our ambitious projects. These will be available for the January report through to this committee.
- 3.3 Any changes that would result from moving to a single council are also not currently included within the above table –these too will be available for the January report through to this committee.
- 3.4 It is important to note that there are limitations on the degree to which Forest Heath can identify all of the potential changes within its medium term financial projections. It is also important to remember that these financial models have been produced within a financial environment that is constantly changing and that they will be subject to significant change over time.
- 3.5 The above assumes a £4.95 increase in council tax per year which will be subject to a separate democratic process through to February Council in 2018.

### 4 Methodology for securing a balanced budget 2018-2021

- 4.1 The starting position is from the existing MTFS which is balanced for each year from 2017/18 out to 2019/20. This has enabled the methodology for revising this outlook to be focussed on three areas:

- 1 Challenging the pre-existing assumptions and updating these to reflect new knowledge and information.
  - 2 Collating new items that are required to support the delivery of West Suffolk Councils Strategic Plan.
  - 3 Reflect any changes in the wider macro environment which require a change in approach from FHDC.
- 4.2 The process to validate each of these areas has been driven by workshop sessions to understand the trends and drivers behind each of the income and expenditure lines within each service area and project. The outcome of the sessions has then been reviewed at an overall council level by the Leadership Team to ensure a collective, corporate view.
- 4.3 The six approved MTFS themes below continue to be at the forefront of Forest Heath District Council's financial strategy for delivering a sustainable medium term budget:
1. aligning resources to both West Suffolk councils' strategic plan and essential services;
  2. continuation of the shared service agenda and transformation of service delivery;
  3. behaving more commercially;
  4. considering new funding models (e.g. acting as an investor);
  5. encouraging the use of digital forms for customer access; and
  6. taking advantage of new forms of local government finance (e.g. business rate retention).

## **5. Budget proposals for 2018-21**

- 5.1 The Performance and Audit Scrutiny Committee is asked to support and recommend to Cabinet the **inclusion of the following proposals/changes**, as detailed in **Table 2 below** in order to progress securing a balanced budget for 2018/19.

**Table 2: Budget proposals for 2018-21**

		18/19 Pressure/ (Saving) £000	19/20 Pressure/ (Saving) £000	20/21 Pressure/ (Saving) £000
<b>Existing MTFS Position</b>		<b>0</b>	<b>0</b>	<b>0</b>
Housing Options	Increase in volume of people requiring assistance - Costs	59	88	97
	Increase in volume of people requiring assistance - HB Recovery	(39)	(43)	(47)
	New Burdens Grant	(24)	(28)	0
Waste Collection	Brown Bin Income - Rephasing of Budget, keeping in line with the service being funded by users of the service.	(30)	0	0
Trade Waste	Additional staffing to reflect current and future service demand	46	46	46
	Increased Trade Waste Income to fund additional staffing levels	(46)	(46)	(46)
Industrial & Business Units	Additional income based off current forecast	0	(20)	(20)
Environmental Management	Delay in rent a roof capital programme item impacting revenue assumptions.	28	13	(2)
Land Charges	LLC1 Search Income lost due to transfer to HMLR mid 18/19	14	22	23
Developmental Control	Increase in Pre-Application Planning Income	(12)	(22)	(32)
Building Control	Change in Budget assumption to reflect 17/18 income trend and current market share.	27	29	29
Salary Budget	Final position following payroll review	TBC	TBC	TBC
Capital Programme	Revenue impact of changes to capital programme	TBC	TBC	TBC
<b>Total Budget Gap</b>		<b>22</b>	<b>39</b>	<b>48</b>

**Table 2: Budget proposals for 2018-21**

\*The budget gap as reported in the table above is still subject to ongoing work as part of the budget setting process, and an updated position will be presented to this committee at its January meeting.

- 5.2 The Capital Programme underwent a comprehensive review for the 2017/18 budget setting process. This Programme will be reviewed and updated with known changes ready for the next Performance and Audit Scrutiny Committee review in January 2018.

## 6. Budget timetable

- 6.1 The table below outlines the timetable of budget information through the committees and to Full Council.

**Table 3: Committee timetable for budgets**

<b>Task</b>	<b>Date</b>
Performance and Audit Scrutiny Committee - consider progress report on 'Delivering a Sustainable Budget 2018/19'	29 November 2017
Cabinet to consider recommendations from Performance and Audit Scrutiny Committee - 29 November 2017	12 December 2017
Council approval of the 2018/19 Tax Base including any Council Tax technical changes	20 December 2017
Council approval of Local Council Tax Reduction Scheme and Council Tax technical changes 2018/19	20 December 2017
Member Development Session - Local Government Finance	18 January 2018
Performance and Audit Scrutiny Committee - updated report on 'Delivering a Sustainable Budget 2018/19'	31 January 2018
2018/19 Budget and Council Tax Setting - Cabinet.	14 February 2018
2018/19 Budget and Council Tax Setting - Full Council.	22 February 2018

MTFS Assumptions	Forest Heath			Source
	2018/19	2019/20	2020/21	
General inflation	0.0%	0.0%	0.0%	Inflation target
ICT Inflation	3.0%	3.0%	3.0%	Linked to a number of the Council's ICT contracts
Utilities	5.0%	5.0%	5.0%	Property services
Transport fuel	5.0%	5.0%	5.0%	Fleet Management Services
Insurance premiums	3.0%	3.0%	3.0%	Renegotiated contract during 2015/16, thereafter In line with contract with Insurance provider
Pay increase	1.0%	1.0%	1.0%	National Pay Bargaining take place annually and the National Employers are reviewing pay to deal with statutory increases to the Living Wage by 2020 and public sector pay claims.
Employers pension contribution	30.0%	33.0%	36.3%	Triennial actuarial valuation took place in 2017 for 2017-20. Pension contribution 23% and we chose to increase our contribution to manage deficit and liabilities over time.
Pension take up	90.0%	90.0%	90.0%	Based on actual take up. Had previously assumed 100%.
Agency staff	£70k	£70k	£70k	Linked to above saving. New budget to be controlled by HR
Vacancy savings	2.5%	2.5%	2.5%	Internal policy, linked to staff turnover rates
Shared service split - default	35.0%	35.0%	35.0%	Approved by Council on 10/12/2014
Shared service split - Corporate	50.0%	50.0%	50.0%	Approved by Council on 10/12/2014
Shared service split - Property	40.0%	40.0%	40.0%	Approved by Council on 10/12/2014
Shared service split - Trade Waste	25.0%	25.0%	25.0%	Approved by Council on 10/12/2014
Fees and charges	2.0%	2.0%	2.0%	Inflation target
Off street car parking income - inflation	0.0%	0.0%	0.0%	Inflation target
Off street car park income - growth %	0.1%	0.9%	0.9%	2017/18 figures reset and annual growth assumption applied from 18/19 onwards.
Off street car park income - amount	£650k	£656k	£662k	Linked to above
Trade waste income - amount	£531k	£533k	£539k	2017/18 figures reset and standard fees & charges growth assumption applied from 18/19 onwards.
Building control (building regulations) income - amount	£132k	£149k	£152k	Figures reset and standard fees & charges growth assumption also applied.

MTFS Assumptions	Forest Heath			Source
	2018/19	2019/20	2020/21	
Development control (planning application fees) income - amount	£618k	£628k	£638k	2017/18 figures reset and annual growth assumption applied from 18/19 onwards (includes Pre-Application income).
Investment interest	TBC	TBC	TBC	Treasury management advisors - current projections
Housing Benefits - amount	£16,416k	£16,416k	£16,416k	Reflects 2017/18 budget assumption. 2017/18 to be worked through when data available through ARP.
Housing Benefits Subsidy - %	98.7%	98.7%	98.7%	ARP. Expected level of subsidy as percentage of payments based on previous years.
Housing Benefits Subsidy - amount	£16,206k	£16,206k	£16,206k	Linked to above
HB Overpayments recovered	£360k	£360k	£360k	ARP. Based on previous years. Can vary year on year. Managed through HB Equalisation Reserve.
HB Administration Subsidy	£173k	£164k	£154k	ARP. Assumes 5%/10%/15% reduction on 2016/17 subsidy grant to reflect anticipated impact of Universal Credit.
Business Rates - Inflation	2.0%	3.0%	3.2%	RPI increases assumed in 4 year settlement
Business Rates - Growth	NNDR1	0.0%	0.0%	Year of budget set at NNDR1 level which includes growth to date.
Business Rates - Suffolk Pool Income	TBC	TBC	TBC	SCC. Awaiting data based on participating councils' 2017/18 NNDR1 returns.
Business Rates - Suffolk Pool Income transfer to reserve	TBC	TBC	TBC	Transfer a proportion of the above to reserve to bring back to level currently in MTFS. Final level is unpredictable as dependant upon other councils.
Total RSG	£441k	£196k	£0k	4 year finance settlement
RSG Reduction	£220k	£245k	£196k	Linked to above
RSG Reduction % year on year	-33.3%	-55.6%	-100.0%	Linked to above
Council tax increase	3.5%	3.4%	3.3%	Current assumption. To be set at February 2018 Council meetings.

# Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Mid-Year Treasury Management Report 2017/18 and Investment Activity 1 April to 30 September 2017</b>	
<b>Report No:</b>	<b>PAS/FH/17/039</b>	
<b>Report to and date/s:</b>	<b>Performance and Audit Scrutiny Committee</b>	29 November 2017
	<b>Cabinet</b>	12 December 2017
	<b>Council</b>	20 December 2017
<b>Portfolio holder:</b>	Stephen Edwards Portfolio Holder for Resources, Governance and Performance <b>Tel:</b> 01638 660518 <b>Email:</b> <a href="mailto:stephen.edwards@forest-heath.gov.uk">stephen.edwards@forest-heath.gov.uk</a>	
<b>Lead officer:</b>	Rachael Mann Assistant Director (Resources and Performance) <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:rachael.mann@westsuffolk.gov.uk">rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To present the Council's Mid-Year Treasury Management Report summarising the investment activity for the period 1 April to 30 September 2017.	
<b>Recommendation:</b>	<b>It is <u>RECOMMENDED</u> that the Performance and Audit Scrutiny Committee:</b>  <b>Make recommendations as appropriate to Cabinet and Council regarding the approval of the Mid-Year Treasury Management Report for 2017-2018, attached as Appendix 1.</b>	

<p><b>Key Decision:</b></p> <p><i>(Check the appropriate box and delete all those that <b>do not</b> apply.)</i></p>	<p><i>Is this a Key Decision and, if so, under which definition?</i></p> <p>Yes, it is a Key Decision - <input type="checkbox"/></p> <p>No, it is not a Key Decision - <input checked="" type="checkbox"/></p>
<p><b>Consultation:</b></p>	<ul style="list-style-type: none"> <li>Treasury management activities are undertaken in consultation with CDCM/Tradition (the Council's appointed brokers for long term investments) and also takes into account information obtained from other investment brokers and economic commentators. Any changes in strategies or policies are subject to approval by the Head of Resources and Performance, Cabinet and full Council.</li> </ul>
<p><b>Alternative option(s):</b></p>	<ul style="list-style-type: none"> <li>Options for the management of Council investments are formally considered within the Annual Treasury Management and Investment Strategy. This includes key strategies in respect of the Council's borrowings, the continuation of in-house management of funds and the approach to be adopted in establishing the credit-worthiness of potential counterparties. The changing nature of the economic climate requires that these key areas are subject to on-going review.</li> </ul>
<p><b>Implications:</b></p>	
<p><i>Are there any <b>financial</b> implications? If yes, please give details</i></p>	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>Please refer to main report</li> </ul>
<p><i>Are there any <b>staffing</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li></li> </ul>
<p><i>Are there any <b>ICT</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li></li> </ul>
<p><i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <ul style="list-style-type: none"> <li>This report is in-line with the Treasury Management Practice 6, (TMP6), of the Treasury Management Code of Practice, which requires a mid year monitoring report to be submitted to Council by 31 December each year</li> <li></li> </ul>
<p><i>Are there any <b>equality</b> implications? If yes, please give details</i></p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>
<p><b>Risk/opportunity assessment:</b></p>	<p><i>(potential hazards or opportunities affecting corporate, service or project objectives)</i></p>



<b>Risk area</b>	<b>Inherent level of risk (before controls)</b>	<b>Controls</b>	<b>Residual risk (after controls)</b>
Fluctuations in interest rates or in projected cash flows having significant impact on budgeted investment income.	High	Spread of investments for periods of up to two years. Budget monitoring and quarterly performance reports.	Medium
Bank / building society failure resulting in loss of Council funds.	High	Use of CDCM/Tradition advice on counterparty credit ratings (based on Fitch and Moody ratings) and the setting of lending limits. Use of non-rated building societies based on asset base and additional credit checks.	Medium
<b>Ward(s) affected:</b>	All Ward		
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>	Annual Treasury Management and Investment Strategy 2017/18. (Report <a href="#">COU/FH/17/003</a> )		
<b>Documents attached:</b>	<b>Appendix 1</b> – Treasury Management Monitoring Report 2017-2018		

## 1. Mid-Year Monitoring Report 2017/18

- 1.1 Full details of treasury management activities during the period 1 April to 30 September 2017 are included in **Appendix 1** of this report.
- 1.2 Below is a summary of those investment activities:

<b>INTEREST EARNED AND AVERAGE RATE OF RETURN SUMMARY</b>			
	<b>Budget</b>	<b>Actual</b>	<b>Difference</b>
Investment Interest Earned	£90,500	£57,852	- £32,648
Average Rate of Return	0.75%	0.58%	- 0.17%

- The purchase of the Solar Farm last year, continues to have a knock on effect on the funds available for investment (as we used cash balances instead of external borrowing to fund the purchase), this in turn has reduced the interest earned this year.
- The reduced average rate of return is due to the reduction in the Bank of England base rate and resulting reduction of interest rates offered by institutions.
- As at 30 September 2017 we held £20,005,000 of investments.

<b>INVESTMENT ACTIVITY SUMMARY</b>	
	<b>2017/18 £</b>
<b>Opening Balance 01 April 2017</b>	<b>18,005,000</b>
Investments made during the year (including transfers to business reserve accounts)	18,850,000
Sub Total	36,855,000
Investments realised during the year (including withdrawals from business reserve accounts)	16,850,000
<b>Closing Balance 30 September 2017</b>	<b>20,005,000</b>

## 2. Borrowings and Temporary Loans

- 2.1 Below is a summary of the borrowings and temporary loans as at 30 September 2017;

<b>BORROWINGS AND TEMPORARY LOANS</b>		
<b>Lender / Loan number</b>	<b>Balance outstanding</b>	<b>Maturity date</b>
Barclays Loan	£4,000,000	31 March 2078
1557	£1,000	7 Days Notice
1735	£1,000	7 Days Notice

# Mid-Year Treasury Management Report 1 April to 30 September 2017

## 1 Introduction

- 1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009 (the Code) as adopted by Council states that;
- 1.2 The primary requirements of the Code are as follows:
  - a. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
  - b. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
  - c. Receipt by Council of an Annual Treasury Management Strategy Report for the year ahead, a mid-year review report (as a minimum) and an annual review report of the previous year.
  - d. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
  - e. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body which in this Council is the Performance and Audit Scrutiny Committee.
- 1.3 Treasury management in this context is defined as:

'The management of the local authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'
- 1.4 The purpose of this report is to meet one of the above requirements of the CIPFA Code, namely the mid-year review report of treasury management activities, for the financial year 2017/18.

## 2. Investment Strategy for 2017/18

- 2.1 The Council's 2017/18 Annual Treasury Management and Investment Strategy was approved by full Council on 22 February 2017 (report COU/FH/17/003 refers). The investment strategy for 2017/18 was to give priority to the security and liquidity of investments whilst at the same time seeking to optimise the return on investments.
- 2.2 The target rate of return for investments for 2017/18 was 0.75%. This target rate was based upon investment rate projections for the year provided by Tradition / CDCM (the Council's treasury management advisors), together with consideration of the profile of the Council's portfolio of investments (i.e. mixture of liquid and fixed term investments). Based upon the anticipated funds available for investment in the year (taking into account planned capital expenditure and receipts from asset disposals) this gave a target investment income of £181k.

### 3. Interest Rates & Market Activity

- 3.1 The Bank of England base Rate has risen by 0.25% to 0.5% as a result of the Monetary Policy Committee (MPC) meeting on 2<sup>nd</sup> November 2017, our advisors, Tradition, have also highlighted that the Bank of England will be incrementally increasing the Base Rate to 1% by 2020. The knock on effect of this for the Council is continuing uncertainty on returns going forward. Currently the Council's returns for investments up to 3 months in length are at base rate or below, while those of 4 to 12 months are generally below 0.75%.
- 3.2 Markets will continue to be closely monitored and higher rates of return secured whenever possible.

### 4. The Council's Lending Criteria 2017/18

- 4.1 The Council's Annual Treasury Management and Investment Strategy requires that deposits are only placed with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure based on data provided Fitch, Moody's and S&P (ratings agencies) or, for non-rated building societies, subject to their meeting minimum financial criteria (based on asset base size).
- 4.2 The below tables shows the credit criteria applicable between the 1 April 2017 and 30 September 2017:

<u>Institution</u>	<u>Credit Rating Short Term</u> (Fitch Moody's)	<u>Credit Rating Long Term</u> (Fitch Moody's)	<u>CDCM Maximum Investment</u>	<u>Internally Managed Maximum Investment</u>	<u>Aggregated Maximum Investment per Institution</u>
	<u>S&amp;P)</u>	<u>S&amp;P)</u>	£M	£M	£M
UK Clearing Banks (Lloyds/Bank of Scotland)	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	6 (7)	2.5 (3.5)	8.5 (10.5)
UK Building Societies (The Top 10 & £1bn Assets)	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	4	2.5	6.5
UK Building Societies (from Top 11 downwards & £1bn Assets)	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	4	1.5	5.5
UK Clearing Bank Subsidiaries	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	4	2.5	6.5
Other UK Banks (with links to overseas banks)	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	4	1.5	5.5
Overseas Banks	F1+, F1 or F2 P1 or P2 AAA, AA, or A	AAA to BBB* Aaa to Baa2* AAA to BBB*	3	0	3
Local Authorities	N/A	N/A	7	3	10
Debt Management Office	N/A	N/A	Unlimited	Unlimited	Unlimited

## 5 Compliance with Treasury Management Strategy & Code of Practice

- 5.1 During the first six months of the financial year the Council operated within the approved Treasury limits and Prudential Indicators (as set out in the Council's Treasury Policy Statement and Annual Treasury Strategy Statement). No institutions in which investments were made had any difficulty in repaying investments and interest in full during the period.

## 6 Interest Earned from Treasury Investments during the period 1 April to 30 September 2017

- 6.1 The table below summaries the interest earned during the period 1 April to 30 September 2017 on the various Treasury Investments held by the Council;

<b>TREASURY MANAGEMENT – INTEREST EARNED SUMMARY</b>	
	<b>£</b>
Temporary Investments – Term Deposits	11,932.33
Externally Managed Funds – CDCM / Tradition	36,525.75
NatWest Liquidity Select Account	80.35
Barclays FIBCA Account	0.00
Lloyds 95 Day Account	4,534.19
Santander 180 Day Account	3,506.85
Santander 95 Day Account	1,273.29
<b>TOTAL INTEREST EARNED/ACCRUED</b>	<b>£57,852.76</b>

- 6.2 The budgeted income from investments for the period 1 April to 30 September 2017 was £90,500 (average rate of return of 0.75%). Interest actually earned during the period totalled £57,852 (average rate of return 0.58%), an under-achievement of interest of £32,648 and an under-achievement of 0.17% on the average rate of return.
- 6.3 The under-achievement of interest earned was primarily due to the reduction in cash balances following the purchase of the Solar Farm and the reduced average rate of return is due to the continuing low Bank of England base rate, resulting in reduced interest rates being offered by institutions.
- 6.4 By year end it is predicted that interest earned will be £81k under the original budget figure and the rate of return will be around 0.60%.

## 7 Investment Activity during the period 1 April to 30 September 2017

7.1 The table below summaries the investment activities during the period;

<b>TREASURY MANAGEMENT – INVESTMENT ACTIVITY SUMMARY</b>	
	<b>2017/18</b>
	<b>£</b>
<b>Opening Balance 01 April 2017</b>	<b>18,005,000</b>
Investments made during the year (including transfers to business reserve accounts)	18,850,000
Sub Total	36,855,000
Investments realised during the year (including withdrawals from business reserve accounts)	16,850,000
<b>Closing Balance 30 September 2017</b>	<b>20,005,000</b>

7.2 Investments were made with counterparties that met the agreed lending criteria and investment periods. Investment periods range from overnight to five years, dependent on the Council's cash flows, the view on interest rates and the actual interest rates on offer.

7.3 Where possible, investments were made in longer term fixed term investments (up to 1 year) in order to lock into interest rates which exceed the Council's budgeted rate of return and to provide some certainty of return for a proportion of the Council's investments.

7.4 During the period, for cash flow purposes (in particular relating to capital projects), use was made of the instant access and business reserve accounts with Barclays and NatWest. At 30 September 2017 £1.6m was held in these accounts at an interest rate of 0.01%.

7.5 The table below shows the investments held as at 30 September 2017;

<b>Investments held as at 30 September 2017</b>				
<b>Counterparty</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Date Loaned</b>	<b>Date Returned</b>
Close Brothers Ltd	2,000,000	1.00%	09/01/17	09/07/18
Close Brothers Ltd	1,000,000	0.80%	09/01/17	08/01/18
National Counties B/Soc	3,500,000	0.78%	09/02/17	09/02/18
National Counties B/Soc	1,500,000	0.52%	15/05/17	20/10/17
Principality B/Society	2,000,000	0.36%	03/07/17	20/11/17
Nottingham B/Society	1,000,000	0.41%	01/08/17	27/11/17
Nottingham B/Society	1,000,000	0.45%	01/08/17	22/12/17
Newcastle B/Society	1,000,000	0.27%	23/08/17	19/10/17
Newcastle B/Society	1,500,000	0.53%	29/09/17	19/03/18
Lloyds 95 Day Account	2,400,000	0.37%	95 day	notice
Santander 180 Day	1,000,000	0.55%	180 day	notice
Santander 95 Day	500,000	0.40%	95 day	notice
Barclays FIBCA	5,000	0.00%	Call	
NatWest LSA	1,600,000	0.01%	Call	
<b>TOTAL</b>	<b>20,005,000</b>			

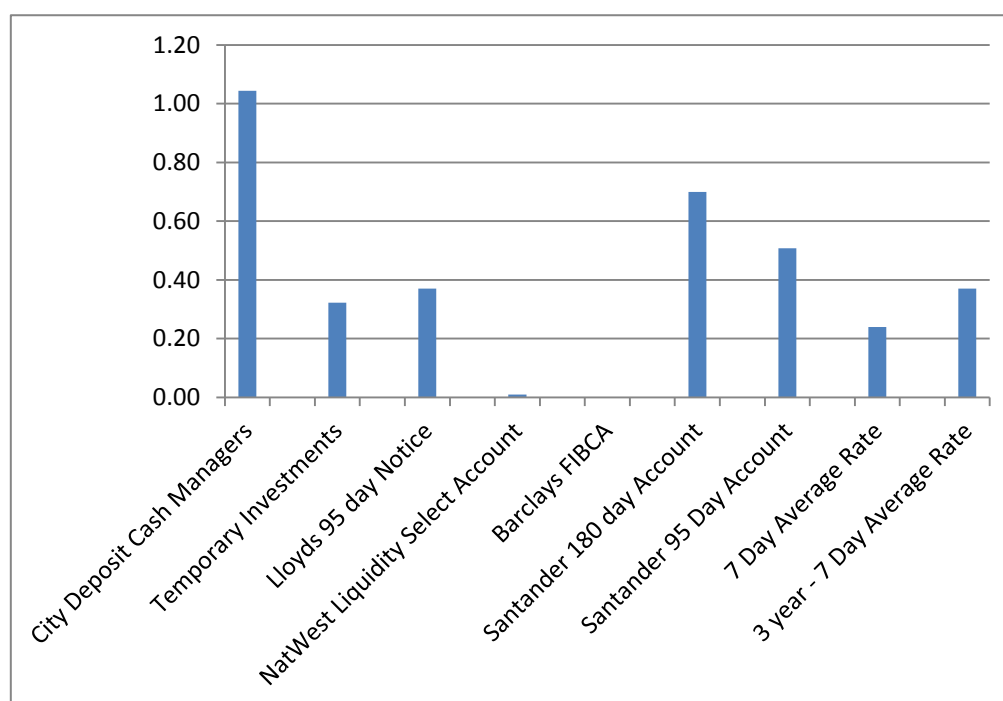
## 8 Average Rate of Return Comparison

8.1 The table below shows the average rate of return for the various categories of

investment against the 7 day average rate and 3 year – 7 day average rate;

<b>Comparison of Average Rate of Return</b>		
	<b>Qtr 1</b>	<b>Qtr 2</b>
Temporary In-House Investments	0.28%	0.32%
CDCM Investments	1.21%	1.04%
Lloyds 95 Day Account	0.37%	0.37%
Santander 180 Day Account	0.85%	0.69%
Santander 95 Day Account	0.61%	0.51%
Barclays FIBCA	0.00%	0.00%
NatWest LSA	0.01%	0.01%
7 Day Average	0.37%	0.24%
3 year – 7 Day Average	0.48%	0.37%
<b>Overall Average return on Investments</b>	<b>0.67%</b>	<b>0.58%</b>

Average Rate of Return by Investment Category



## 9 Summary of Funds Held

9.1 The table below shows a summary of the funds held as at 30 September 2017

<b>Summary of Funds held</b>	
<b>Fund</b>	<b>£</b>
Revenue Reserves	14,360,763
Capital Receipts Reserves	2,373,436
General Funds Reserve	2,000,217
Cash flow Balances	1,270,584
<b>Total Value of Investments</b>	<b>20,005,000</b>

## 10 Borrowing

10.1 On 31 March 2008 the Council borrowed £4.0m from Barclays Bank Plc, to part fund the new Newmarket Leisure Centre. It is a long term loan, for 70 years, to

31 March 2078, at a rate of 4.24%, with interest payable in arrears on the 31 March and 30 September each year.

- 10.2 The first interest payment for 2017/18, £84,567.67, was paid on 2 October 2017.
- 10.3 The Council also has two temporary loans totalling £2,000 which are repayable on 7 days notices. No request to repay either loan has been received during the period covered by this report.



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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