

Informal Joint Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title:	Agenda										
Date:	Thursday 31 January 2019										
Time:	5.00 pm										
Venue:	Conference Chamber West West Suffolk House Western Way Bury St Edmunds										
Full Members:	<p style="text-align: center;">Chairman Sarah Broughton Vice Chairman Patricia Warby</p> <p><u>Conservative Members (9)</u></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">Sarah Broughton</td> <td style="width: 33%;">Karen Richardson</td> </tr> <tr> <td>Beccy Hopfensperger</td> <td>Andrew Smith</td> </tr> <tr> <td>Jane Midwood</td> <td>Peter Thompson</td> </tr> <tr> <td>Clive Pollington</td> <td>Patricia Warby</td> </tr> <tr> <td>David Roach</td> <td></td> </tr> </table> <p><u>UKIP Member (1)</u> Barry Robbins</p>	Sarah Broughton	Karen Richardson	Beccy Hopfensperger	Andrew Smith	Jane Midwood	Peter Thompson	Clive Pollington	Patricia Warby	David Roach	
Sarah Broughton	Karen Richardson										
Beccy Hopfensperger	Andrew Smith										
Jane Midwood	Peter Thompson										
Clive Pollington	Patricia Warby										
David Roach											
Substitutes:	<table style="width: 100%; border: none;"> <tr> <td style="width: 33%;"><u>Conservative Members (3)</u></td> <td style="width: 33%;">Mary Evans</td> <td style="width: 33%;">Vacancy</td> </tr> <tr> <td></td> <td>Elaine McManus</td> <td></td> </tr> </table>	<u>Conservative Members (3)</u>	Mary Evans	Vacancy		Elaine McManus					
<u>Conservative Members (3)</u>	Mary Evans	Vacancy									
	Elaine McManus										
Interests – Declaration and Restriction on Participation:	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.										
Quorum:	Four Members										
Committee administrator:	Christine Brain Democratic Services Officer (Scrutiny) Tel: 01638 719729 Email: christine.brain@westsuffolk.gov.uk										

5.00pm	Informal joint discussions with Forest Heath District Council's Performance and Audit Scrutiny Committee on the seven items listed under Items 5 to 11 inclusive, to be held in Conference Chamber West .
5.30pm	The formal meeting of the Performance and Audit Scrutiny Committee will commence immediately following the conclusion of the informal joint discussions in Conference Chamber West .

All Members of Forest Heath District Council's Performance and Audit Scrutiny Committee will be in attendance to enable informal joint discussions on the reports listed in Items 5 to 11 to take place between the two authorities:

COUNCILLORS

Conservative
Members (8)

Michael Anderson
Rona Burt
Christine Mason

Chris Barker
Louis Busuttill
Colin Noble

John Bloodworth
Simon Cole

UKIP Members (2) Peter Ridgwell

Reg Silvester

Public Information



St Edmundsbury
BOROUGH COUNCIL

Venue:	West Suffolk House Western Way Bury St Edmunds Suffolk IP33 3YU	Tel: 01284 757120 Email: democratic.services@westsuffolk.gov.uk Web: www.stedmundsbury.gov.uk
Access to agenda and reports before the meeting:	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.	
Attendance at meetings:	The Borough 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.	
Public participation:	Members of the public who live or work in the Borough 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. 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 time limit of 15 minutes for public speaking, which may be extended at the Chairman's discretion.	
Disabled access:	West Suffolk House has facilities for people with mobility impairments including a lift and wheelchair accessible WCs. However in the event of an emergency use of the lift is restricted for health and safety reasons. Visitor parking is at the car park at the front of the building and there are a number of accessible spaces.	
Induction loop:	An Induction loop is available for meetings held in the Conference Chamber.	
Recording of meetings:	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). 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.	
Personal Information	Any personal information processed by Forest Heath District Council or St Edmundsbury Borough Council arising from a request to speak at a public meeting under the Localism Act 2011, will be protected in accordance with the Data Protection Act 2018. For more information on how we do this and your rights in regards to your personal information and how to access it, visit our website: https://www.westsuffolk.gov.uk/Council/Data_and_information/howweuseinformation.cfm or call Customer Services: 01284 763233 and ask to speak to the Data Protection Officer.	

Agenda

Procedural Matters

Part 1(A) - Public

1. Substitutions

Any Member who is substituting for another Member should so indicate, together with the name of the relevant absent Member.

2. Apologies for Absence

3. Minutes

1 - 12

To confirm the minutes of the meeting held on 28 November 2018 (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 Forest Heath District Council's Performance and Audit Scrutiny Committee on Items 5 to 11 below, Members are reminded that no further debate shall take place. However, Members are requested to either formally note/resolve/recommend Items 5 to 11 below).

5. West Suffolk Annual Governance Statement 2018-2019

13 - 32

Report No: **PAS/SE/19/001**

(For reference purposes, Forest Heath District Council's Report Number is PAS/FH/19/001)

6. 2018-2019 Performance Report (Quarter 3)

33 - 100

Report No: **PAS/SE/19/002**

(For reference purposes, Forest Heath District Council's Report Number is PAS/FH/19/002)

- 7. West Suffolk Strategic Risk Register Quarterly Monitoring Report (December 2018) 101 - 114**

Report No: **PAS/SE/19/003**

(For reference purposes, Forest Heath District Council's Report Number is PAS/FH/19/003)

- 8. Ernst and Young - Certification of Claims and Returns Annual Report (2017-2018) 115 - 142**

Report No: **PAS/SE/19/004**

(For reference purposes, Forest Heath District Council's Report Number is PAS/FH/19/004)

- 9. Ernst and Young - External Audit Plan and Fees 2018-2019 143 - 228**

Report No: **PAS/SE/19/005**

(For reference purposes, Forest Heath District Council's Report Number is PAS/FH/19/005)

(The following reports are to be considered as part of the function delegated to the Performance and Audit Scrutiny Committee relating to the new West Suffolk Council).

- 10. Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan 229 - 236**

Report No: **PAS/SE/19/006**

(For reference purposes, Forest Heath District Council's Report Number is PAS/FH/19/006)

- 11. Treasury Management Policy Statement and Investment Strategy 2019-2020 and Treasury Management Code of Practice 237 - 294**

Report No: **TMS/SE/19/002** was due to be considered by the Treasury Management Sub-Committee on 21 January 2019.

Unfortunately the meeting was inquorate and the report was not able to be considered by the Treasury Management Sub-Committee, therefore there are no recommendations coming forward.

(For reference purposes, Forest Heath District Council's Report Number is PAS/FH/19/007)

Part 1(B) - Public

- 12. Treasury Management Report 2018-2019 Investment Activity (April - December 2018) 295 - 302**

Report No: **TMS/SE/19/001** was due to be considered by the Treasury Management Sub-Committee on 21 January 2019.

Unfortunately the meeting was inquorate and the report was not able to be considered by the Treasury Management Sub-Committee, therefore there are no recommendations coming forward.

Part 2 – Exempt

NONE

Informal Joint Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

**Notes of Informal Discussions held on Wednesday 28 November 2018
at 5.00pm in the Council Chamber, College Heath Road, Mildenhall**

PRESENT: St Edmundsbury Borough Council (SEBC)

Councillor Sarah Broughton
(Chairman of the informal discussions)

Councillors Jane Midwood, Clive Pollington, Andrew Smith and Patricia Warby.

Forest Heath District Council (FHDC)

Councillors Michael Anderson, Chris Barker, Rona Burt, Louis Busuttill, Simon Cole, Christine Mason and Peter Ridgwell.

IN ATTENDANCE: FHDC – Councillor Stephen Edwards, Portfolio Holder for Resources and Performance

SEBC – Councillor Ian Houlder, Portfolio Holder for Resources and Performance

Prior to the formal meeting, at 5.00pm informal joint discussions took place on the following six items:

- (1) Mid-Year Internal Audit Progress Report 218-2019;
- (2) 2018-2019 Performance – Quarter Two;
- (3) West Suffolk Strategic Risk Register Quarterly Monitoring Report – September 2018;
- (4) Building Control Business Development Plan Update – November 2018;
- (5) Work Programme Update; and
- (6) Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan.

All Members of St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee had been invited to attend the District Offices, Mildenhall to enable joint informal discussions on the above reports to take place between the two authorities.

The Chairman of Forest Heath's Performance and Audit Scrutiny Committee welcomed all those present to the District Offices, Mildenhall and advised on the format of the proceedings for the informal joint discussions and subsequent separate meetings of each authority, prior to handing over to the Chairman of St

Edmundsbury's Performance and Audit Scrutiny Committee, who would be chairing the informal joint discussions.

Members noted that each Council permitted public participation at their Performance and Audit Scrutiny meetings. Therefore, for the purpose of facilitating these Constitutional requirements, it was proposed that public speaking should be permitted prior to the start of the informal discussions to enable any questions/statements to be considered by both Performance and Audit Scrutiny Committees on items 1 – 6 above. On this occasion however, there were no questions/statements from members of the public.

Each report was then considered in the order listed on each authorities' agenda.

1. **Mid-Year Internal Audit Progress Report 2018-2019**

The Service Manager (Internal Audit) presented the report which advised members on the work of Internal Audit for the first half of 2018-2019 and gave members a flavour of the variety of activities which were supported through the work of the team. The report also provided an update on progress made against the 2018-2019 Internal Audit Plan previously approved by the Committee.

Attached at Appendix A to the report was the Mid-year Internal Audit progress report 2018-2019, which was set out in a new reporting format.

It was reported that during the period, Internal Audit had completed six added value reviews, nine audits and six follow-up audits. There was also five audits/added value audits in progress. Where audit findings had been raised, action plans had been agreed between internal audit and the relevant service to address the findings, and progress against the action plans was monitored by Internal Audit via follow-up audit reviews. Overall, progress against the annual Audit Plan was in line with expectations.

Based on the work completed to date, it was considered that generally the control environment remained good and where "limited assurance" opinions had been issued, work had either already been undertaken or was planned to address the issues raised. There were no other areas of particular concern to highlight.

Members considered the report and asked questions to which responses were provided. In particular discussions were held on the "transparency" code and the new permanent Information Governance Officer, who would have a wide range of governance responsibilities.

In response to a question raised regarding "events management", members were informed that the Council was obligated to check that the correct procedures were in place for outdoor events which it managed.

The Chairman congratulated the Internal Audit Team on the new report format.

2. **2018-2019 Performance Report – Quarter Two**

[Councillor Simon Cole arrived at 5.20pm and Councillor Jane Midwood arrived at 5.27pm during the consideration of this item].

The Service Manager (Finance and Performance) presented the report, which set out the performance for the second quarter and forecasted financial outturn position for 2018-2019.

In previous years Performance Indicators and Budget Monitoring figures were reported separately. It was now the intention to combine these reports in order to give a clearer indication of the councils' overall performance.

This report showed the current Performance Indicators for the second quarter of 2018-2019, as set out in the following appendices, attached to the report:

- Appendix A: 2018-2019 Performance Indicators, Commentary;
- Appendices B to E: Performance Indicators by Strategic Priority;
- Appendix F: West Suffolk Income and Expenditure report;
- Appendices G to K: Financial Performance for Forest Heath District Council;
- Appendices L to P: Financial Performance St Edmundsbury Borough Council.

Each Assistant Director then presented their performance indicators set out either in the commentary section or Appendices A to E and highlighted key areas for the Committees attention.

Members considered the report in detail and asked questions of the Assistant Directors on their indicators, to which comprehensive responses were provided. In particular discussions were held on:

Appendix C – (F3: Number of households in temporary accommodation) – Members questioned where were people coming from?

In response, members were informed that the vast majority came from West Suffolk, who had local connections to the area. In some cases, people from out of area might be placed here for good reason, for instance, fleeing violence. The Councils' first priority was to prevent homelessness by working with all partners to look at prevention first. This was done by looking at the specific housing needs of individuals/families and putting in place a planned move, so people did not end up in temporary accommodation.

Appendix C – (F7: Number of fly-tipping incidents recorded in West Suffolk) – Members discussed the current number of incidences over the last two quarters (271), and the estimated cost of clearance and disposal (£14,603), and questioned whether the cost was right?

In response members were informed that some fly-tipping clear ups were carried out under normal clearance duties, meaning that there was not necessarily a separate charge. However, officers agreed to look into this and would provide a written response.

Appendix B – (G5: % of businesses and residents with high speed broadband) – Members again questioned why the council did not have a aspirational West Suffolk target of 100% as it felt it should not be accepting Suffolk County Councils target of 95%; what high speed broadband actually meant and what was the actual broadband speed (megabytes) businesses and residents were receiving as some rural areas do not have broadband.

In responses, officers referred to the written responses provided to members in August 2018:

"Our target for the percentage of business and residents with high speed broadband mirrors the County and National targets. The Better Broadband for Suffolk project (led by Suffolk County Council) has had a shifting target dependent on funding available and how far that funding will stretch to roll out broadband. There was a target to roll-out a superfast "fibre broadband" network to more than 85% of local homes and businesses by the end of 2015. That target was raised in 2014 by SCC to go further and match the Government's new national of 95% target by 2017. As more and more homes are connected it becomes more expensive to do the more remote/difficult locations, therefore there is no 100% target at this time. Suffolk is at 92% <https://betterbroadbandsuffolk.com/about/our-journey> and looking to achieve 98% with this current round of funding however as referenced – the final 2% will be the hard to reach/not commercially viable sites that will need specific investment /Community based funding to achieve connectivity".

Officers took on board members comments, and agreed to look at the West Suffolk target, but stressed that the target must be achievable. Officers would also look into the broadband (megabyte) speed being delivered, and would provide a written response on this and the meaning of "high speed broadband".

Officers also informed members that both councils were also represented on the SCC Broadband User Working Group.

Appendix D – (H2: Number of housing units delivered for affordable or social rent or intermediate) – Members noted that the target would be set at 185.

Appendix E – (D31 – Planning enforcement cases, numbers (new and closed) and resolution) – Members felt that more information should be provided in the commentary showing a breakdown on the number of open cases split into length of time.

In response, members were informed that the council wanted to provide information which was useful. Officers were currently looking at how this could be achieved without breaching data protection.

Appendix F – (Fees – Car Parking) – Members looked at the car parking income forecast variance, £291,734k and questioned why it was so far out.

In response, members were informed that the high streets were struggling, which was a national issue. September had seen a degree of recovery in car parking. However, there was a need for an ongoing dialogue with regards to our high streets as the council wants to make them more accessible for people

to come into the towns. Also the ease of online shopping was not helping the high street shops.

3. **West Suffolk Strategic Risk Register Quarterly Monitoring Report – September 2018**

The Service Manager (Resources and Performance) presented the second quarterly risk register monitoring report in respect of the West Suffolk Strategic Risk Register. The Register was updated regularly by the Risk Management Group and at its recent meeting in September 2018 the Group reviewed the target risk, the risk level where the Council aimed to be, and agreed a current risk assessment. These assessments formed the revised West Suffolk Risk Register (Appendix 1).

Some individual controls or actions had been updated and those which were not ongoing and had been completed by September 2018 had been removed from the Register. There had been no major amendments made to current risks during the reporting period and no existing risks had been closed since the Strategic Risk Register was last reported to the Committee.

With regards to the impact of Brexit, the group would continue to monitor the situation as it developed, amending existing and / or adding new risks where necessary. Any changes would be reported at each meeting of the Committee in the normal manner.

Members considered the report, and in particular discussed risk WS8(c) – Failure to deliver – Housing Agenda, to which officers duly responded.

Members did not raise any issues which needed to be brought to the attention of the Joint Executive (Cabinet) Committee.

4. **Building Control Business Development Plan Update – November 2018**

The Assistant Director (Planning and Growth) presented the report, which provided an update on the initial development areas and now included the new business development plan. This encompassed the original development plan plus more, including the joint approach being taken with Suffolk local authorities via a joint and funded programme.

An overview of the original plan was considered by the Committees in November 2017 (Report Nos: PAS/SE/17/031 and PAS/FH/17/035). The report also included an update on performance and income, as well as information on competition; the Hackett Review; resource; marketing; systems development; team/workforce development; shared budgeting model/practices with partners; performance and assurance framework; and an update on the Suffolk Building Control collaborative working.

Attached to the report were a number of Exempt appendices:

- Exempt Appendix 1: Summary of market baseline review
- Exempt Diagram 1: Key milestones for first 12 months once resource in place
- Exempt Diagram 2: Development plan

- Exempt Diagram 3: Partnership objectives

The Committee considered the report in detail, asked a number of questions, to which comprehensive responses were provided.

The Committee also considered the Exempt Appendix 1 and Exempt diagrams 1 – 3. However, no reference was made to specific detail contained in the exempt attachments, therefore this item was not held in private session.

Members were pleased that there was competition for residents with private firms as competition improves our own performance. Members noted the significant improvements to the service and the extensive development plan being implemented, and wished to congratulate the Building Control Team on its excellent work over the past year, which was a good news story.

5. **Work Programme Update**

The Service Manager (Finance and Performance) presented the report, which provided information on the current status of each Committee's Work Programme for 2019.

Members considered its work programme for 2019, and did not raise any issues.

6. **Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan**

The Service Manager (Finance and Performance) presented the report, which updated members on progress made towards delivering a balanced budget for 2019-2020 and sustainable budget in the medium term.

At the Committee's meeting held on 27 September 2018, the budget position was reported as a gap of £0.5m, and included the following set of adverse trends:

- The lower growth trend in car parking income as seen in 2018-2019 and anticipated to continue into 2019-2020.
- The increased cost relating to recycling charge per tonne.
- The estimated impact of revising the pay-line.
- The new business case for Barley Homes.

This position had been updated to account for developing trends and revised information as it became available and confirmed as far as possible. This information gave rise to a budget gap of £1.1m for 2019-2020 and £1.1m for 2020-2021.

The updated position for each year was set out in Table 1 of the report, and proposed solutions were set out in Table 2. It was reported that the adoption of the solutions would bring the budget gap down to £41k for 2019-2020, and £391k for 2020-2021. Work would continue to monitor the trends included in Table 1, and driving to agree assumptions that would close the remaining budget gap for 2019-2020 and 2020-2021 for presentation to the Shadow Council on 19 February 2019. A further update would be brought back to this Committee on 31 January 2019.

The Committee was asked to support and recommend to the Shadow Executive (Cabinet) the inclusion of the proposals, as set out in Section 2 and Tables 1 and 2 of the report, in order to progress securing a balanced budget for 2019-2020.

Members scrutinised the report in detail and asked a number of questions on the proposed solutions, to which comprehensive responses were provided.

In particular members discussed Barley Homes; savings made moving towards becoming a single council; investing in commercial properties and the high risks involved, and making sure that the financial figures were robust.

On the conclusion of the informal joint discussions at 6.40pm, Members of St Edmundsbury Borough Council's Performance and Audit Scrutiny Committee withdrew from the Council Chamber to the Training Room to hold their formal meeting.

The Chairman then formally opened the St Edmundsbury Borough Council Performance and Audit Scrutiny Committee in the Training Room at 6.43pm.

Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Minutes of a meeting of the **Performance and Audit Scrutiny Committee** held on **Wednesday 28 November 2018** at **6.43pm** in the **Training Room, District Offices**, College Heath Road, Mildenhall, IP28 7EY

Present: **Councillors**

Chairman Sarah Broughton
Vice Chairman Patricia Warby

Jane Midwood
Clive Pollington

Peter Thompson

By Invitation:

Susan Glossop, Cabinet Member for Planning and Growth
Ian Houlder, Cabinet Member for Resources and Performance

17. **Substitutions**

There were no substitutions declared.

18. **Apologies for Absence**

Apologies for absence were received from Councillors David Roach and Peter Thompson.

Councillors Beccy Hopfensperger, Karen Richardson and Barry Robbins were also unable to attend.

19. **Minutes**

The minutes of the meeting held on 27 September 2018, were unanimously accepted by the Committee as an accurate record of the meeting and signed by the Chairman.

20. **Public Participation**

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

21. **Mid-Year Internal Audit Progress Report 2018-2019**

Further to the informal joint discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/18/030.

Members had considered the report and there being no decision required, the Committee **noted** the Mid-year Internal Audit Progress Report 2018-2019.

22. **2018-2019 Performance Report (Quarter 2)**

Further to the informal joint discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/18/031.

Members had considered the report and there being no decision required, the Committee **noted** the 2018-2019 Performance Report (Quarter 2).

23. **West Suffolk Strategic Risk Register Quarterly Monitoring Report (September 2018)**

Further to the informal joint discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/18/032.

Members had considered the report and there being no decision required, the Committee **noted** the West Suffolk Strategic Risk Register Quarterly Monitoring Report (September 2018).

24. **Building Control Business Development Plan Update - November 2018**

Further to the informal joint discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/18/033.

Members had considered the report and there being no decision required, the Committee **noted** the Building Control Business Development Plan Update (November 2018).

25. **Work Programme Update**

Further to the informal joint discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/18/034.

Members had considered the report and there being no decision required, the Committee **noted** the Work Programme Update.

26. **Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan**

Further to the informal joint discussions held prior to the meeting with Forest Heath District Council's Performance and Audit Scrutiny Committee, the Committee formally considered Report No: PAS/SE/18/035.

The Committee **noted** the approach and timescales for the 2019-2020 budget setting process and medium term plans for the West Suffolk Council.

Councillor Clive Pollington moved the recommendation, this was duly seconded by Councillor Patricia Warby and with the vote being unanimous, it was

RECOMMENDED:

That subject to the approval of the Shadow Council, the proposals, as detailed in Section 2 and Table 1 and Table 2 of Report No: PAS/SE/18/ 035, be included in securing a balanced budget for 2019-2020.

27. Mid-Year Treasury Management Report and Investment Activity (April - September 2018)

The Committee received Report No: TMS/SE/18/004, which had been considered by the Treasury Management Sub-Committee on 19 November 2018. The Chairman of the Sub-Committee provided a verbal update on the Sub-Committee's consideration of the report, which summarised the investment activities for the first six months of 2018-2019.

It was reported that the total amount invested at 1 April 2018 was £36.35m and at 30 September 2018, £44.95m. The increase in balances over the period was due primarily to timing differences in respect of the collection of local taxes, the payment of precepts and changes in the profile of the Capital Programme. The 2018/19 Annual Treasury Management and Investment Strategy Statements (Report COU/SE/18/002 approved 20 February 2018) sets out the Council's projections for the current financial year. The budget for investment income in 2018/19 is £308,000 which is based on a 0.70% target average rate of return on investments. As at the end of September 2018, interest actually earned during the first six months of the financial year amounted to £155,169 (average rate of return of 0.688%) against a profiled budget for the period of £154,000 (average rate of return of 0.70%); a budgetary surplus of £1,169.

The report also included assumptions on borrowing for capital projects included within it. The borrowing was based around four specific projects as per their agreed business cases. The report included a summary of capital borrowing budget 2018-2019, and a summary of capital borrowing for quarter two – all of which was currently internally borrowed from the Councils overall cash balances. As at the end of quarter two, there had been no requirement to borrow externally, therefore there was no interest payable in quarter two.

The Treasury Management Sub-Committee had scrutinised the Investment Activity for 1 April to 30 September 2018, and asked questions to which comprehensive responses were provided.

The Committee considered the report and did not raise any issues.

Councillor Andrew Smith then moved the recommendation, this was duly seconded by Councillor Patricia Warby and with the vote being unanimous, it was

RECOMMENDED:

That, subject to the approval of Council, the Mid-Year Treasury Management Report 2018-2019 and Investment Activity (1 April to 30 September 2018), being Report No: TMS/SE/18/004, be approved.

28. Exclusion of the Press and Public

See Minute Number 29 below.

29. EXEMPT Appendix 1; Diagram 1; Diagram 2 and Diagram 3 to Report No: PAS/SE/18/033 (Par 3)

The Committee considered Exempt Appendix 1, and Exempt Diagrams 1, 2 and 3 to Report No: PAS/SE/18/033. However, no reference was made to specific detail and, therefore, this item was not held in private session.

The Meeting concluded at 6.47pm

Signed by:

Chairman

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Informal Joint Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	West Suffolk Annual Governance Statement 2018/2019	
Report No:	PAS/SE/19/001	
Report to and dates:	Performance and Audit Scrutiny Committee	31 January 2019
Portfolio holder:	Councillor Ian Houlder Portfolio Holder for Resources and Performance Tel: 07970 729435 Email: ian.houlder@stedsbc.gov.uk	
Lead officer:	Greg Stevenson Service Manager - Finance & Performance Tel: 01284 757264 Email: Gregory.stevenson@westsuffolk.gov.uk	
Purpose of report:	To present for approval the draft Annual Governance Statement for 2018/19 which has been produced following completion of the annual review of the councils' governance arrangements.	

Recommendation:		<p>It is RECOMMENDED that the Performance and Audit Scrutiny Committee:</p> <p>(1) Approves the draft 2018/19 Annual Governance Statement for signing by the Chief Executive and Leader</p> <p>(2) Authorises the Service Manager (Finance and Performance), in consultation with the Chair of the Committee and the Portfolio Holder for Finance and Resources to make any necessary changes to the approved Annual Governance Statement, to take into account any unexpected and significant governance issues arising between the date of this Committee and 31 March 2019.</p>	
<p>Key Decision:</p> <p><i>(Check the appropriate box and delete all those that do not apply.)</i></p>		<p>Is this a Key Decision and, if so, under which definition?</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>	
Consultation:		<ul style="list-style-type: none"> This report has been prepared in consultation with the Leadership Team. 	
Alternative option(s):		<ul style="list-style-type: none"> N/A 	
Implications:			
Are there any financial implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any staffing implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any ICT implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any legal and/or policy implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Are there any equality implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Risk/opportunity assessment:		<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)
Failure to regularly monitor and improve the councils' governance arrangements could weaken corporate governance, impacting on service delivery.	Medium*	The statement is fully supported by relevant documentation and evidence.	Low
Ward(s) affected:		All	

Background papers: <i>(all background papers are to be published on the website and a link included)</i>	N/A
Documents attached:	Appendix A – Draft Annual Governance Statement 2018/19

1. Key issues and reasons for recommendation

1.1 Background Information

- 1.1.1 Both West Suffolk councils are responsible for ensuring that their business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.1.2 In discharging this overall responsibility, the councils are responsible for putting in place proper arrangements for the governance of their affairs and facilitating the effective exercise of their functions, including arrangements for the management of risk.
- 1.1.3 The Annual Governance Statement provides stakeholders with assurance that the councils have operated within the law and that they have met the requirements of the Accounts and Audit Regulations 2015. The Annual Governance Statement accompanies the Statement of Accounts.
- 1.1.4 A copy of the draft Annual Governance Statement for 2018/19 is attached to this report, at **Appendix A**. The document has been prepared by the Officer Governance Group and is 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.
- 1.1.5 A key function of the councils' Performance and Audit Scrutiny Committees is to review and approve the draft Annual Governance Statement prior to it being signed by the Chief Executive and Leaders of the councils.
- 1.1.6 The Secretary of State has issued a set of regulations that makes arrangements for the transfer of functions and responsibilities from Forest Heath and St Edmundsbury Councils to West Suffolk Council. These regulations, the Local Government (Boundary Change) Regulations 2018, require that Forest Heath and St Edmundsbury approve an Annual Governance Statement for the year 2018/19 prior to the date of reorganisation, that is by 31 March 2019. The timetable for approval has therefore necessarily been brought forward to achieve this; however, the Annual Governance Statement should include all relevant factors up to the end of the year. We have therefore recommended that the Service Manager – Finance and Performance is authorised (subject to consultation) to make changes to the approved Annual Governance Statement arising from any unexpected and significant governance issues between the date of this Committee and 31 March 2019.

West Suffolk Annual Governance Statement 2018/19

1. Scope of Responsibility

- 1.1 Until 31 March 2019, St Edmundsbury Borough Council and Forest Heath District Council (referred to hereafter as the councils) have been responsible for ensuring that their activities are conducted in accordance with the law and proper standards, that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. The councils have also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 On 1 April 2019, both councils will be replaced by West Suffolk Council, which will assume the district tier functions and responsibilities from the councils. This is the final Annual Governance Statement for the councils.
- 1.3 In discharging their responsibilities, the councils have been responsible for putting in place proper arrangements for the governance of their affairs and facilitating the effective exercise of their functions which includes arrangements for the management of risk.
- 1.4 The councils have approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the [Local Code](#) is available on the councils' website. This statement explains how the councils have complied with the Local Code and also met the requirements of the Accounts and Audit (England) Regulations 2015, regulation 6(1)(b), which requires all relevant authorities to prepare an Annual Governance Statement.

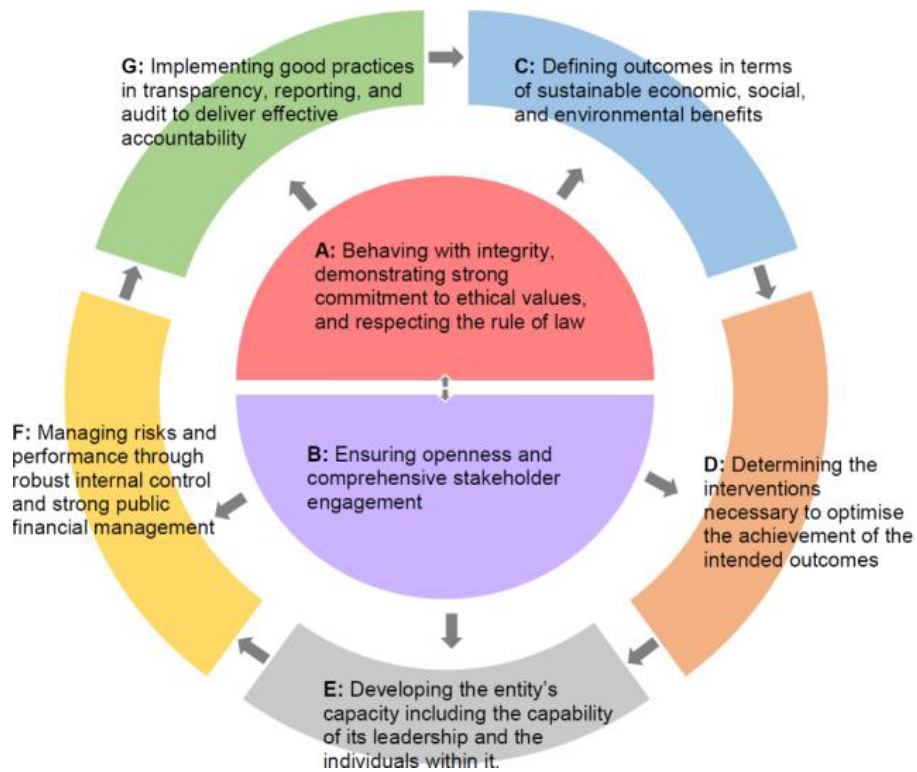
2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems, processes, culture and values by which the councils are directed and controlled and the activities through which they account to, engage with and lead the community. It enables the councils to monitor the achievement of their strategic objectives and to consider whether those objectives had led to the delivery of appropriate, cost effective services.
- 2.2 The system of internal control is a significant part of that framework and designed to manage risk to an acceptable level. It could not eliminate all risk of failure to achieve the councils' aims and objectives, but it has sought to provide reasonable rather than absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks to the achievement of the councils' aims and objectives.
- 2.3 The governance framework remains in place at the councils to the year ended 31 March 2019, and at that stage transfers to West Suffolk Council.

3. The Governance Framework

- 3.1 The councils had adopted a Local Code of Corporate Governance in accordance with the core principles of good governance outlined within the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.

3.2 There are seven core principles of good governance identified in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 as follows:



3.3 The Local Code of Corporate Governance set out the principles of good governance and described in full the arrangements the councils have put in place to meet each of these.

3.4 During 2018/19, the councils have undertaken a number of actions to continuously improve their corporate governance arrangements. A summary of

2018/19 Corporate Governance Activity Highlights

During 2018/19, the councils have:

- made preparations for the new single West Suffolk Council (created on 1 April 2019) and its new governance arrangements;
- created new project and programme management arrangements; and
- developed processes and controls to comply with new legislation, in particular compliance with the General Data Protection Regulation.

the highlights are shown in the box below:

3.5 A detailed description of the councils' recent activities and activities to support the establishment of West Suffolk Council are set out in the table below, against a summary of each of the principles in their Local Code of Corporate Governance.

Principle A	Key Elements of West Suffolk Governance Framework
<p>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<ul style="list-style-type: none"> • Constitution • Employees Code of Conduct • Members Code of Conduct • Contract Procedure Rules • Anti-Fraud and Anti-Corruption Policy • Whistle Blowing Policy • Anti-Money Laundering Policy • Registers of Interest • ICT Security Policy • Monitoring Officer
<p>Activity within Principle A in 2018/19</p>	
<ul style="list-style-type: none"> • A significant proportion of activity in this area has inevitably focused on establishing governance arrangements for the new West Suffolk Council. • To support efficient working practices ahead of the formation of West Suffolk Council, a combined Cabinet structure was agreed in May 2018. • On 24 May 2018, the Government issued the order to create the Shadow West Suffolk Authority. The Shadow Authority met for the first time shortly thereafter and agreed its own constitution. • Work has progressed to develop the new constitution for West Suffolk, culminating in approval of the constitution in February 2019, including refreshed codes and protocols outlining member behaviour. • The procurement policy was reviewed. • Anti-fraud related messages were published on the West Suffolk intranet at regular intervals to increase staff awareness. • Issue of Information Framework document to describe our direction of travel regarding data and information. 	

- Guidance covering the Regulation of Investigatory Powers Act (RIPA) was reviewed and renewed.

Principle B	Key Elements of West Suffolk Governance Framework
Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> • Annual Report • Reports and Minutes available on councils’ website • Consultation Statement • Equality Statements • Uses complaints and feedback to aid learning for future service development.

Activity within Principle B in 2018/19

- During 2018/19, the councils have carried out a range of consultation and engagement exercises, on a wide range of topics. Several of these relate to the new arrangements needed for West Suffolk Council, for example, harmonising licensing regimes, and the arrangements for civic leadership of the new council. A range of consultation methods were used, including online surveys, focus groups, interviews and stakeholder engagement events. Opportunities to take part were widely promoted through the local press, community networks and social media. The councils made particular efforts to engage with hard to reach groups, for example through liaison with local disability groups and targeted programmes of engagement with schools.
- We used Facebook Live for the first time to engage with people around Civic Leadership and answer questions put by the public in a live film that was also published elsewhere. This live film and other engagements were shared into around 60 local Facebook Groups in which officers and councillors answered questions about proposals and initiatives as well as signposting people to where they could have their say. The film was viewed more than 10,000 times.

- We have also implemented a forum for our taxi drivers to discuss issues with our licensing officers and councillors.
- A revised Complaints Policy is being drafted to include a section on the process for managing Persistent and Vexatious Complainants. The Policy was reviewed by both Overview and Scrutiny Committees in January, ahead of seeking formal approvals for the adoption of the Policy at Joint Executive (Cabinet) in February. Once adopted, the Policy will come into effect on the 1 April 2019, to coincide with the commencement of West Suffolk Council, and be published on the council's website.

Principle C	Key Elements of West Suffolk Governance Framework
<p>Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<ul style="list-style-type: none"> • Strategic Framework • Growth Investment Strategy • Business Plans • Medium Term Financial Strategy • Local Plans • Risk Management Policy and Toolkit • Investment Framework

Activity within Principle C in 2018/19

- The Councils' Strategic Framework, published in December 2017, was adopted by the Shadow Authority for West Suffolk Council. The document provided the overarching direction for a number of other strategies, plans and communications produced in 2018/19, including a new homelessness reduction strategy (in response to the Homelessness Reduction Act 2017) which sets out our priorities for preventing and reducing homelessness, tackling the main causes of homelessness and supporting those in need, a new housing strategy which sets out how we will respond to the housing challenges we are facing in order to respond to and plan for the growing need for additional housing in West Suffolk, and a new strategy for investing in growth.

- Other policies, strategies or plans have been refreshed where appropriate, or aligned where separate Forest Heath and St Edmundsbury documents remained. Where joint policies had already been produced, these were amended under delegated authority from the Shadow Executive to become West Suffolk Council documents.
- The Investing in Growth Strategy was approved by both councils in January 2018 with the objective of investment in West Suffolk to achieve strategic priorities and provide revenue returns to help pay for delivery of services. Investments to date have included the purchase and development of the former Post Office on Cornhill in Bury St Edmunds which will play a fundamental role in place shaping the town centre and delivering on the Masterplan, and purchase of a property in Newmarket providing temporary residential accommodation and commercial investment from retail units.
- A review of the existing Local Plans commenced in November 2018 with evidence gathering and a formal consultation in 2019. The document is programmed for completion in 2023 to meet our council ambitions and to safeguard communities from speculative unsustainable growth – development in the wrong locations and without the necessary strategic infrastructure. The Local Plan will provide a positive, flexible and deliverable planning policy framework for West Suffolk.
- The councils have partnered with other Suffolk councils to form Suffolk Design, a new joint initiative to support how planning helps good growth.

Principle D	Key Elements of West Suffolk Governance Framework
<p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<ul style="list-style-type: none"> • Consultation Strategy • Families and Communities Strategy • Balance Scorecards • Procurement Policy • Medium Term Financial Strategy • Business Partners Model

Activity within Principle D in 2018/19

- Guidance has been prepared for officers who are working on commercial ventures that addresses issues including assessing opportunities, when and how to trade, setting up and running a company. This has been prepared having regard to the provisions of the Companies Act 2006 as well as relevant local government legislation and CIPFA guidance. The commercial programme board ensures this guidance is followed when dealing with commercial opportunities.
- The council has developed a standard business case template for use in major projects and investment opportunities. The template follows HM Treasury's Green Book guidance and uses the five case model. This analyses a project under the following aspects:
 - ✓ Strategic Case
 - ✓ Economic Case
 - ✓ Commercial Case
 - ✓ Financial Case
 - ✓ Management Case

The business case template and guidance has been endorsed by the councils' Commercial Programme and Leadership Team and has been incorporated in the councils' programme management approach.

- West Suffolk councils inform decision making around policies and interventions with research and evidence of good practice from other councils and think tanks. Through the weekly policy alerts prepared by the Corporate Policy Team and disseminated to staff and councillors, evidence gathered from evaluation and horizon scanning is shared with decision makers.
- Use of revised key performance indicators within balance scorecards aligned behind the strategic priorities, reviewed monthly by Leadership Team and quarterly at Performance and Audit Scrutiny Committee.
- The establishment of the Suffolk Office of Data and Analytics (SODA) in June 2018, put the cross-system data and analysis work previously funded by the Transformation Challenge Award on a permanent footing. SODA is funded by equal contributions from all Suffolk local authorities, Suffolk Constabulary and the two CCG groups in Suffolk, and the Data and Insight

Manager and SODA lead is hosted by West Suffolk. The establishment of SODA and the projects undertaken (for example, the development of a business rates analysis tool) meant a wider range of data and evidence could be used in the development of policy and strategy by the West Suffolk councils.

- In the February 2018 budget, additional resources were agreed to be allocated to support delivery of key programmes within the councils that would lead to additional income for the councils in the long term as well as supporting growth within our communities. During the year, these posts have been appointed to and are commencing work to support services as identified within the budget.
- As part of the Growth Restructure, three "Place Programme Delivery Lead" posts were created. Working flexibly but with a focus on specific localities, the objective of the roles is to help co-ordinate, facilitate and drive forward built-environment projects, taking into account the requirements of place and interactions with other projects and initiatives within that location.
- Progress was made in implementing a Development Management Improvement Plan during the year to further enable right first time, high quality, policy compliant developments through early engagement.
- A number of learning events have been held with partner organisations regarding the Duty to Refer procedures that commenced in October 2018.
- The councils' Waste and Street Scene Service has been remodelled into four business units to move away from silo working to introduce matrix working.
- New Public Space Protection Orders have been introduced which enable the councils to take action against specific antisocial behaviour activities.

Principle E	Key Elements of West Suffolk Governance Framework
<p>Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> • Workforce Plan • Learning and Development Policy • Member Development Group • Constitution • Employees Performance Review Framework • Disciplinary Procedure • Job Descriptions
<p>Activity within Principle E in 2018/19</p>	
<ul style="list-style-type: none"> • Review, and endorsement by the councils’ workforce, of a new pay model to be implemented in April 2019. • Adoption and commencement of the work involved in the Workforce Strategy which links the councils’ priorities for development in terms of skills and behaviours; recruitment and retention; pay, reward and recognition, and reviewing the PDR scheme in terms of values and behaviours and the framework; health and wellbeing; and workforce planning and data. • Ongoing training within service areas, for example, in respect of the Homelessness Reduction Act 2017, mental health first aiders, county lines, and investigatory training for enforcement officers. • Development of the Induction Plan for Members elected in May 2019 to the new council. 	
Principle F	Key Elements of West Suffolk Governance Framework
<p>Managing risks and performance through robust internal control and strong public financial management</p>	<ul style="list-style-type: none"> • Financial Procedure Rules • Contract Procedure Rules • Treasury Management Strategy and Growth Investment Strategy • Budget Monitoring • Performance and Audit Scrutiny Committee

	<ul style="list-style-type: none"> • Strategic Risk Register • Investment framework • Risk Management Toolkit • Balance Scorecards • Internal Audit • Business Continuity Plan • Complaints
Activity within Principle F in 2018/19	
<ul style="list-style-type: none"> • Revised Treasury Management Strategy and Code of Practice. • Created new Capital Strategy 2018/19. • Budget monitoring reporting has been enhanced and improved with focus on income and expenditure. • Strategic Risk Register reviewed and updated. • Business Continuity Plan has been updated. 	
Principle G	Key Elements of West Suffolk Governance Framework
<p>Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<ul style="list-style-type: none"> • Councils' Website • Statement of Accounts • Annual Governance Statement • Annual Report • Medium Term Financial Strategy • Anti-Fraud and Anti-Corruption Policy • Whistle Blowing Policy • Data Protection Policy • Officer Information Governance Group • Balance Scorecards • Annual Internal Audit Report and Opinion

Activity within Principle G in 2018/19

- During 2018/19, the councils have implemented their programme to ensure compliance with GDPR. This was a comprehensive programme of work across all services to review data protection practices. Data incidents and subject access requests are being monitored in line with good practice, and we have continued to keep a watching brief on all emerging guidance.
- Following this exercise, and an internal audit review, it was identified that there are opportunities to better use data within the councils, and the need for further information governance work to support major programmes / projects that utilise data – such as the relocation of the Mildenhall Office, West Suffolk Operational Hub, and the emerging Digital Strategy. With this in mind, in October 2018, the councils appointed an Information Governance Officer. Priorities include the development of an information governance framework and action plan, and support the councils' compliance with the Government's transparency standards including ease of access to the data.
- Good progress has been made against implementing the recommendations (all relatively minor) raised as part of the external independent assessment of Internal Audit in March 2018. Actions taken have included revising the internal audit scoping document template to make it clearer that audit work is risk-based, make the links to strategic objectives clearer, and review of the form of the annual audit opinion to make it more informative.

4. Review of effectiveness

4.1 The annual review of the governance framework and system of internal control involves:

- a self-assessment exercise;
- consideration of the relative significance of audit issues raised and audit opinions issued during the period;
- the external auditor's comments, and other review agencies and inspectorates' reports; and
- where appropriate, production of an action plan where progress is assessed and recorded.

- 4.2 The Leadership Team reviews the draft Annual Governance Statement prior to submission to each Performance and Audit Scrutiny Committee, which approves this Statement.
- 4.3 The Internal Audit Team is responsible for giving assurance to members, the Head of Paid Service, s151 Officer, Leadership Team and the Performance and Audit Scrutiny Committees on the design and operating effectiveness of the councils' risk and internal control arrangements.
- 4.4 Based upon the audit work undertaken during the financial year 2018/19, as well as assurances made available to the councils by other assurance providers, the Service Manager (Internal Audit) has confirmed that reasonable assurance can be provided that the systems of internal control within these areas of the councils, as well as the risk management systems, are operating adequately and effectively. Similar to previous years, Internal Audit work has however identified a number of areas where existing arrangements could usefully be improved, and agreed actions will be followed up by Internal Audit in the usual way.
- 4.5 The councils are subject to an annual programme of independent external audits and inspections. The external auditor summarises the findings from his audit of the financial statements and the councils' systems which support them and his assessment of arrangements to achieve value for money.
- 4.6 The review of the effectiveness of the governance framework concluded that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

5. Significant governance issues

5.1 In determining the significant issues to disclose, the councils have considered whether issues have:

- seriously prejudiced or prevented achievement of the councils' objectives;
- resulted in a need to seek additional funding to allow it to be resolved or had resulted in a significant diversion of resources from another aspect of the councils' services;
- led to material impact on the accounts;
- received adverse commentary in external inspection reports;
- been treated by the Service Manager (Internal Audit) as being significant in internal audit reports issued during the year;
- attracted significant public interest or seriously damaged the councils' reputation;
- resulted in formal action being taken by the s151 Officer and / or the Monitoring Officer; or
- members had advised that it should be considered significant for this purpose.

5.2 There are no significant governance issues to disclose for 2018/19.

6. Assessment of Brexit Risk

6.1 In anticipation of the UK's planned exit from the EU in 2019 the councils have kept a watching brief regarding developments around the withdrawal agreement and the future relationship with Europe. This has included engagement with LGA activities and briefings and participation in a cross Suffolk Officer Group working on the implications of the UK's withdrawal for the local area. The councils' risk assessment has considered risks and opportunities which may or may not arise from Brexit.

7. Assurance by Chief Executive and Leaders of the Councils

We approve this statement and confirm that it forms the basis of the councils' governance arrangements. From 1 April 2019 the new West Suffolk Council will be responsible for monitoring and strengthening its own governance arrangements.

Signed:

Signed:

James Waters
Leader of the Council

John Griffiths
Leader of the Council

Date:

Date:

Signed:

Ian Gallin
Chief Executive

Date:

Informal Joint Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	2018/19 Performance Report - Quarter 3	
Report No:	PAS/SE/19/002	
Report to and date/s:	Performance and Audit Scrutiny Committee	31 January 2019
Portfolio holder:	Councillor Ian Houlder Portfolio Holder for Resources and Performance Tel: 07970 729435 Email: ian.houlder@stedsbc.gov.uk	
Lead officer:	Greg Stevenson Service Manager (Resources and Performance) Tel: 01284 757264 Email: gregory.stevenson@westsuffolk.gov.uk	
Purpose of report:	This report sets out the Performance for the third quarter and forecasted financial outturn position for 2018/19.	
Recommendation:	Performance and Audit Scrutiny Committee: Members are requested to <u>note</u> the year end forecast financial position and forward any relevant issues or comments to Joint Executive (Cabinet) Committee for their consideration.	

Key Decision: <i>(Check the appropriate box and delete all those that do not 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"/>	
Consultation:		<ul style="list-style-type: none"> This report and the figures therein have been compiled by the Finance team in consultation with the relevant budget holders, services and Leadership Team. 	
Alternative option(s):		<ul style="list-style-type: none"> In order for the Council to be able to meet its strategic priorities it is essential that sufficient and appropriate financial resources are available. 	
Implications:			
<i>Are there any financial implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> As set out in the body of this report. 	
<i>Are there any staffing implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any ICT implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Risk/opportunity assessment:		<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*
Key Performance Indicator Variances	High	Clear responsibilities for performance monitoring and control ensure that there is strong accountability for each key performance indicator and individual budget line. Performance monitoring is undertaken on a monthly basis with Service Managers and Leadership Team monthly.	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
Ward(s) affected:	All Wards		
Background papers:	None		
Documents attached:	<p>Appendix A – Performance Indicators – Commentary</p> <p>Appendix B – Performance Indicators – Growth</p> <p>Appendix C – Performance Indicators – Families and Communities</p> <p>Appendix D – Performance Indicators – Housing</p> <p>Appendix E – Performance Indicators – Day to Day</p> <p>Appendix F – West Suffolk Income and Expenditure Report.</p> <p>Appendix G – FHDC Financial Forecast – Revenue, Capital and Reserves</p> <p>Appendix H – FHDC Revenue Forecast Summary</p>		

Cont: Documents attached:

Appendix I – FHDC Revenue Forecast Details

Appendix J – FHDC Capital Programme

Appendix K – FHDC Earmarked Reserves

Appendix L – SEBC Financial Forecast – Revenue, Capital and Reserves

Appendix M – SEBC Revenue Forecast Summary

Appendix N – SEBC Revenue Forecast Details

Appendix O – SEBC Capital Programme

Appendix P – SEBC Earmarked Reserves

1. Introduction and Purpose

- 1.1 West Suffolk Councils have a clear set of Strategic Priorities that set out what the councils are aiming to achieve from 2018 to 2020.
- 1.2 During 2017/18 the performance management approach was reviewed with the intention of developing a performance framework that enables understanding of progress towards those strategic priorities as well as giving insight on the delivery of the large range of day-to-day services to the residents of West Suffolk (Report PAS/SE/18/013 "2018-2019 Draft Performance Indicators and Targets" dated 31 May 2018 refers).
- 1.3 The purpose of this evolution and development of the performance management framework is to ensure that management information supplied to the Performance and Audit Scrutiny Committee, Cabinet and Leadership Team clearly shows:
- Progress towards strategic goals;
 - Insight on initiatives that will ensure future progress;
 - Areas that require decisions and actions to keep on track to their goals;
 - Items with a significant level of risk associated with them;
 - Flexibility in approach allowing the escalation of performance successes and challenges; and
 - Inclusion of qualitative information as part of our overall story/messaging around performance.
- 1.4 In previous years Performance Indicators and Budget Monitoring figures were reported separately to this committee. It is now the intention to combine these reports in order to give a clearer indication of the councils' overall performance.

2. Performance

- 2.1 This report shows the current Performance Indicators for the third quarter of 2018/19, as set out in the attached appendices as follows:

2.2 Appendix A: 2018/19 Performance Indicators – Commentary

This appendix shows a high level summary of the councils' Budget Monitoring forecast position for Revenue, Capital and Reserves, and draws out a number of key performance indicators at strategic priority level.

2.3 Appendices B to E: Performance Indicators by Strategic Priority

These appendices support **Appendix A** and include more detail about how the councils are performing against each strategic priority.

2.4 Appendix F: West Suffolk Income and Expenditure Report

This appendix shows the current Revenue forecast position across West Suffolk, analysed across the different categories of income and expenditure.

2.5 **Appendices G to P: Financial Performance of each council**

These appendices contain the current financial forecast positions for each council in respect of Revenue, Capital and Earmarked Reserves.

2.6 The table below shows the current performance status for all indicators, grouped by Strategic Priority and further detailed in **Appendices A to E**.

Key Performance Indicators					
Quarter 3 - 2018/19					
Appendix	Strategic Priority	On or Exceeding Target	Below Target within tolerance	Below Target, outside of tolerance	Data ONLY Indicators
B	Inclusive Growth	1	4	0	1
C	Families and Communities	5	0	1	3
D	Housing	3	0	1	2
E	Day to Day	24	5	3	6
	West Suffolk Totals:	33	9	5	12

PASC BALANCED SCORECARD

December 2018

Budget Monitoring - Over/(Under) spend

	SEBC	FHDC	West Suffolk
Revenue			
Net Year-end forecast variance to Budget	(25)	52	27
Income Year-end forecast variance	(2,224)	691	(1,533)
Expenditure Year-end forecast variance	2,191	(639)	1,552
Capital			
Net Year-end forecast variance to Budget	(31,204)	(37,485)	(68,689)
Reserves			
Net Year-end forecast variance to Budget	(3,260)	(6,911)	(10,171)

Key Performance Indicators

	Value	Target	Trend
Inclusive Growth			
Housing			
Actual Disabled facilities grant spend against budget (£)	776,560	700,000	
Families & Communities			
Number of households in Bed and Breakfasts (as at last day of month)	11	11	
Number of households in Temporary Accommodation (as at last day of month)	52	40	
Number of flytipping incidents recorded in West Suffolk	409	469	
Day-to-Day			
Uptake of pre-application advice (% of all applications - major/minor).	20%	30%	
Car park income (£)	3,891,455	3,978,765	
MAJORS - % of planning applications determined within agreed timescales.	100.00%	85%	
% of Customers satisfied with the overall journey	98.00%	80.00%	
% Response rate to annual canvass of electors	98.65%	95.00%	
% Rate of return on investment - SEBC	0.74%	0.70%	
% Rate of return on investment - FHDC	0.71%	0.75%	
Total Amount of Debt over 90 Days	52.26%	10.00%	

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PASC BALANCED SCORECARD

December 2018

Commentary

Financial Performance - The forecast revenue position across West Suffolk currently shows an overall overspend of £27k, representing 0.05% of the total budget across the 2 councils. The difference between SEBC and FHDC Incomes and Expenditures is almost entirely driven by the inflow and outflow of Housing Benefit payments.

The overall performance is impacted by a number of operational factors. The deficit is driven by below budget Car Park income, reduced expectation of Growth Funds returns and reduced Blue Bin recycling credits. This deficit is partially offset by reduced capital costs as a result of not yet having to borrow and increased Trade Waste income.

The capital spend forecast shows the impact of the reduced expectation of investment of the Growth Fund and timing changes in the Mildenhall Hub and 19/20 Cornhill schedules.

Debt over 90 days - Previous large debt referenced in Quarter 2 has now been cleared. The current position is primarily driven by £130k on a long-standing property debt which has had a charging order issued upon it. When the property is sold we will be in a much healthier position on long term debt %.

Housing improvements - In Q3 we supported 331 residents/households made up of 43 housing grants, 74 housing enforcement interventions and 195 interventions including the use of the handyman service and the installation of simple equipment and grab rails to enable more independence in the home. In addition 19 HMO inspections were undertaken in accordance with our risk rated HMO inspection programme.

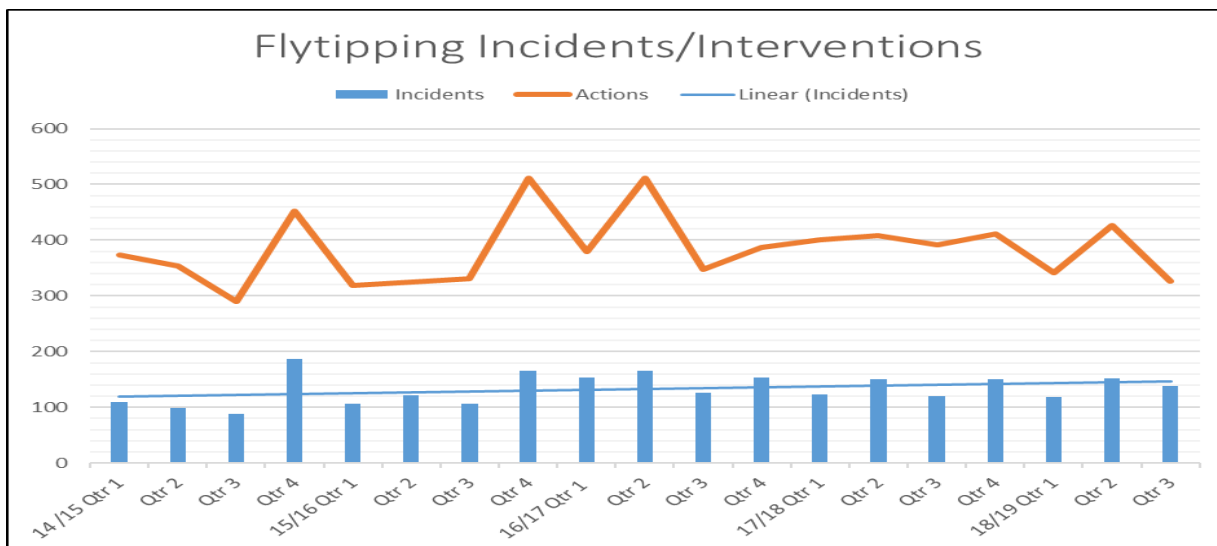
Households in B&B and Temp Accommodation - In December, the number of households in B&B reduced, this is primarily due to vacancies being created in Temporary accommodation due to void properties being allocated and available. Traditionally this is a trend we see as families help support one another throughout the festive period.

Flytipping - Over the last three quarters there have been 409 recorded incidents of flytipping in West Suffolk. Of these, 402 were reported as taking place on public land and 7 were reported on private land.

179 of the incidents were of a 'car boot load' size or less and an additional 227 were the size of a 'small van' to a 'transit van' load. There were also 3 incidents involving a 'tipper lorry' worth of waste.

Over the same time period there have been 1,095 interventions carried out to combat incidents of flytipping, both proactively to reduce breaches of legislation and reactively to deter and investigate offenders. Of these interventions, 600 were proactive 'Duty of Care' inspections where businesses are asked to demonstrate how they dispose of waste generated through their activities. In addition to this and in response to identified incidents, 311 investigations were carried out which led to 161 warning letters and 11 fixed penalty notices being issued. Furthermore, a prosecution is also currently pending for an incident of flytipping which took place in Mildenhall and more information will be provided once the outcome is known. Enforcement action is always taken where there is sufficient evidence available.

The graph below shows the combined figures for West Suffolk and includes a trend line indicating that there has been a marginal increase in recorded incidents of flytipping over the last 4 years and that interventions continue in response.



Car Parking Income - Car parking income has been fluctuating since the start of the financial year. Income was up over the springtime but dropped over the summer period. Currently the number of parking events are increasing and last month the income generated was of a level comparable to last year. The fluctuations and drop in parking events mirror the national trend which has been attributed to the extreme weather conditions and decline in retail sales in 2018. Nevertheless recent car parking occupancy analysis has shown that peak time car parking transactions remain strong and have seen growth in comparison to the 2015 car parking review.

Development Management - The quality and speed of determination of applications is partly determined by good engagement during pre-app. The target to increase pre-app take-up to 40% is by year end. We are currently at 20% due to seeing a lull in planning applications in December 2018. We have just entered our first formal Planning Performance Agreement for a strategic site. Focus on pre-apps is a key area within our Improvement Plan and we are using new capacity to deliver this, amongst other things. Improved engagement with developers is key.

Elections Annual Canvass - Response rate at end of Canvass was 98.65%, an increase of 1.6% on last year.


Disabled Facilities Grants - spend is on track and being managed through a delivery plan, which includes our partner Orbit HIA. Residents are being supported through various funding schemes, including DFG, to live independently in their homes. Demand is currently outstripping budget, therefore we are monitoring closely. Further funding has been announced by Government, which is welcomed. We aim to help as many residents as possible and be on target at year end.

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STRATEGIC PRIORITY - INCLUSIVE GROWTH

Month Ending

Dec-18

No.	Indicator	Rationale	Current Value	Target	Frequency	Trend	Commentary
G1	Job growth over time - % in Employment		81.00%	85.00%	A		
G2	% of residents with NVQ3 qualifications over time		58.00%	60.00%	A		2018 figure has dropped from 59% to 58%. The target is a year on year improvement
G3	% of residents with NVQ4 qualifications over time		37.00%	38.00%	A		2018 figure has remained the same at 37%. Target is year on year improvement
G4	External Funding received for infrastructure		£ 2,765,000	No target	A		£2.75m is for improvements to Parkway/Cullum, Spread Eagle and Tayfen Road junctions from 16/17 to 17/18. Plus £10k SCC Section 218 contributions, cumulative total is £2,765,000
G5	% of business and residents with high speed broadband		93.20%	95.00%	A		98% coverage by 2020 is the Suffolk Better Broadband Programme target
G6	Median salary to average house price		7.40	8.00	A		Comparison of the median salary to average house price across West Suffolk compares with 8.1 for the Eastern Region. Target is below 8

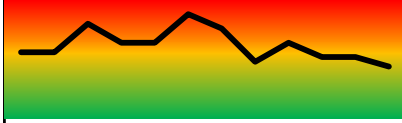

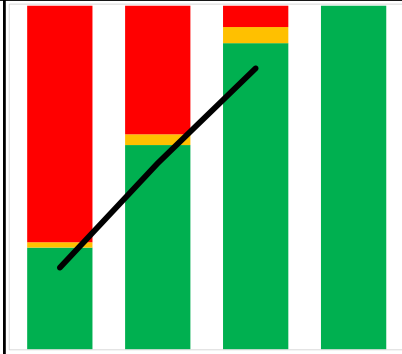
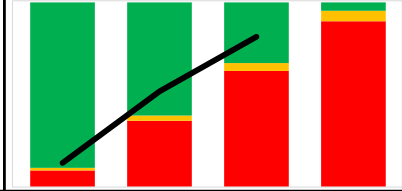
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STRATEGIC PRIORITY - FAMILIES & COMMUNITIES

Month Ending

Dec-18

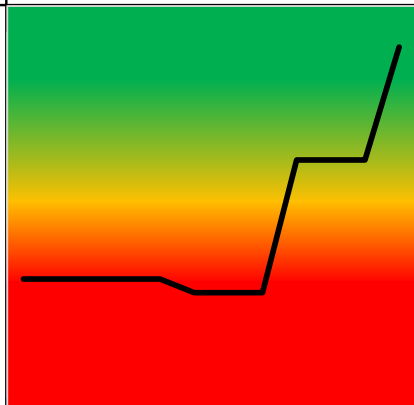
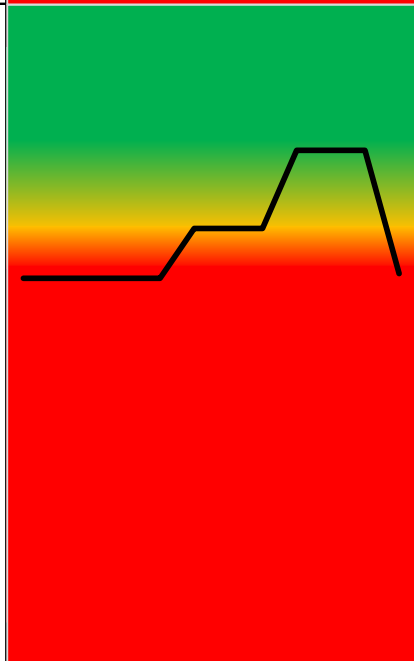
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No.	Indicator	Rationale	Current Value	Target	Frequency	Trend	Commentary
F1	Number of cases of accepted statutory homeless	Outcome - trend of homeless numbers	36	No target	Q		
F2	Number of households in Bed and Breakfasts (as at last day of month)	Output - indicator of demand and process	11	11	M		
F3	Number of households in Temporary Accommodation (as at last day of month)	Output - indicator of demand and process	52	40	M		
F4	Number of Households in bands A&B	Output - indicator of demand and process	971	No target	M		38.69% of the total number of households are in bands A&B
F5	Total number of Households in all bands	Output - indicator of demand and process	2,510	No target	M		
F6	Residual household waste per household (kg)	Outcome - impact of awareness campaigns and initiatives	423	413	Q		
F7	Number of flytipping incidents recorded in West Suffolk	Outcome - impact of prevention initiatives	409	469	Q		Flytipping - Over the last three quarters there have been 409 recorded incidents of flytipping in West Suffolk. Of these, 402 were reported as taking place on public land and 7 were reported on private land.
F8	Number of actions to combat flytipping in West Suffolk	Activity - focus on prevention	1,095	938	Q		
F9	Apex income (£)	Output - impact of advertising and act variety	£1,421,542	£1,400,000	Q		

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STRATEGIC PRIORITY - HOUSING

Month Ending Dec-18

No.	Indicator	Rationale	Current Value	Target	Frequency	Trend	Commentary
H1	Housing completions by year (net additional houses)		725	890	A		FHDC Target 340 Current Value for 2017/18 483. SEBC Target 550 Current value for 2017/18 242
H2	Number of housing units delivered for affordable or social rent or intermediate		156	139	A		Target of 185 per year. Delivery to date 104 Rural, 52 Urban, with 139 delivered through S106 and 17 through RP lead schemes
H3	% of empty home cases reduced against the total of suitable/prioritised homes allocated.	Increase the number of available homes (by reducing the total number of empty homes)	25%	18%	Q		We have met our annual target of 25%. The team team has had a concentrated effort on closing cases. The new M3 module reload cleansed the data and the annual ARP survey of owners has kicked in.
H4	Housing improvement - Number of residents/households supported via our help.	All homes available are safe, decent and healthy to live in. Homes are suitable for physical and mental health and well being.	1,029	1,050	Q		In Q3 we supported 331 residents/households made up of 43 housing grants, 74 housing enforcement interventions and 195 interventions including the use of the handyman service and the installation of simple equipment and grab rails to enable more independence in the home. In addition 19 HMO inspections were undertaken in accordance with our risk rated HMO inspection programme.
H5	Housing improvement - % of resolved service requests relating to poor housing standards.	We want people to have a decent home to live in.	60.63%	80.00%	Q		We received 96 service requests relating to poor housing standards in quarter 3, 64 complaints active from previous quarters, total of 160 active cases in Q3. 97 cases were completed, 24 of those were outstanding from previous quarters. There has been a spike in complaints towards the end of the quarter, and these will be worked on in Q4. It is usual for housing complaints, from tenants, to increase during the colder months. The result is that the resolution of these complaints may suffer, with some requiring further enforcement interventions. The team remains focused on using the inspection programmes and enforcement tools available to improve conditions in the private rented sector, and to deal with these complaints as efficiently as possible.



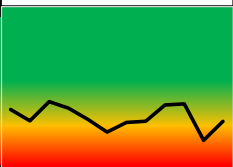
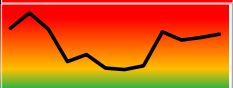
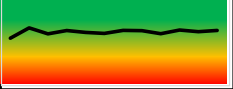
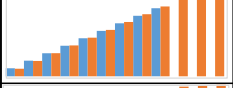
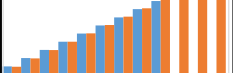
STRATEGIC PRIORITY - HOUSING

Month Ending **Dec-18**

No.	Indicator	Rationale	Current Value	Target	Frequency	Trend	Commentary
H6	Actual Disabled facilities grant spend against budget (£)		£776,560	£700,000	M		West Suffolk will be receiving additional funding in January 2019. The additional allocation will enable further DFG to be approved/completed in this financial year and, whilst a small underspend may now arise, the DFG spend is on track and being managed through a delivery plan, which includes our partner Orbit HIA. Residents are continuing to be supported through various funding schemes, including DFG, to live independently in their homes.

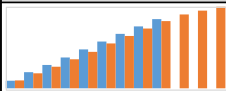
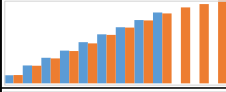

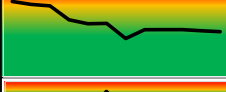
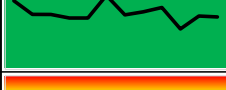
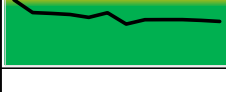


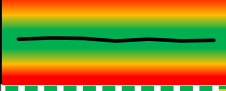
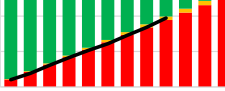
STRATEGIC PRIORITY - DAY TO DAY

Month Ending Dec-18

No.	Indicator	Rationale	Current Value	Target	Frequency	Trend	Commentary
D1	Total number of Complaints	Output - measure of customer satisfaction	21	No target	Q		14 - R&P 1 - HR, Legal, democratic & Elections 6 - Planning & Reg
D2	Total number of Compliments	Output - measure of customer satisfaction	22	No target	Q		7 - Operations 6 - Families & Communities 9 - Planning & Reg
D3	% Response rate to annual canvass of electors	Output - effectiveness of process	98.65%	95.00%	A		Response rate at end of Canvass was 98.65%, an increase of 1.6% on last year. Any properties that we have not obtained a response from, are checked against our council tax records. This year we have added 'new' names as pending electors to the register where we could see that residents had moved in during the past 2 years.
D4	Number & % of phone calls answered	Activity - indicator of process and demand	92.00%	90.00%	Q		Based on 34,292 calls answered
D5	Number of unique users of the West Suffolk Councils website	Output - indicator of customer engagement	38,235	37,600	M		
D6	Social Media audience increase	Output - indicator of customer engagement	-	10% rise	A		Data not yet available.
D7	Uptake of pre-application advice (% of all applications - major/minor).	We want to ensure all stakeholders and Members have high confidence in West Suffolk as a planning authority. We want to be the regional planning employer of choice	20.45%	30.00%	M		180 applications were received in December 2018, 35 of those had a pre-app. Target is 40% at the end of year. The % dropped in the quarter due to the lull in planning applications in December
D8	Total Amount of Debt over 90 Days	Output - scale of debt issue	52.26%	10.00%	M		Total Debt decreased but Debt over 90 days increased - contains long term debt that has a charging order over it.
D9	% Undisputed Invoices paid within 30 Days	Output - impact of AP activity.	94.12%	95.00%	M		
D10	% Collection of 2018/19 Council Tax - FHDC	Output - results of collection activity	84.7%	86.9%	M		
D11	% Collection of 2018/19 Council Tax - SEBC	Output - results of collection activity	86.76%	88.0%	M		

STRATEGIC PRIORITY - DAY TO DAY

Month Ending Dec-18

No.	Indicator	Rationale	Current Value	Target	Frequency	Trend	Commentary
D12	% Collection of 2018/19 Business Rates - FHDC	Output - results of collection activity	84.8%	82.4%	M		
D13	% Collection of 2018/19 Business Rates - SEBC	Output - results of collection activity	85.6%	84.5%	M		
D14	Council Tax Reduction Scheme claims - Days taken to process - FHDC	Output - results of collection activity	6.93	10.00	M		
D15	Council Tax Reduction Scheme claims - Days taken to process - SEBC	Output - results of collection activity	5.05	10.00	M		
D16	Housing Benefits Claims - Days taken to process - FHDC	Output - results of collection activity	6.13	10.00	M		
D17	Housing Benefits Claims - Days taken to process - SEBC	Output - results of collection activity	5.14	10.00	M		
D18	% completion of approved Audit Plan with approved revisions	Output - progress against plan	67%	0%	Q		This is roughly where we would expect to be bearing in mind a) approx. 40% of Priority 1 work is ARP audit work which can only commence in Q3 b) fluid nature of the audit plan and the priorities within that plan
D19	Time taken to complete recruitment process - advert to offer (days)	Output - efficiency of process.	24.32	35.00	Q		The data on the balanced scorecard shows end to end recruitment which is Advert to Offer. Posts that are not recruited are not included as there is no offer. If there is a second recruitment exercise we measure again end to end (advert to offer).
D20	Average number of sick days lost per FTE per annum	Output - indicator of healthy, motivated workforce	4.78	6.50	Q		Sickness continues to reduce and is robustly and consistently managed throughout the organisation.
D21	% of Voluntary turnover	Output - indicator of employee satisfaction	9.18%	7-12	A		
D22	Car park income (£)	Output - indicator of demand trend	£3,891,455	£3,978,765	M		

STRATEGIC PRIORITY - DAY TO DAY

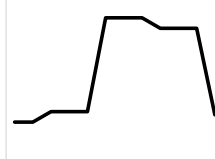
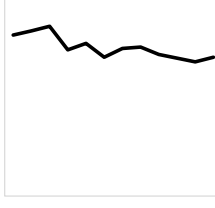
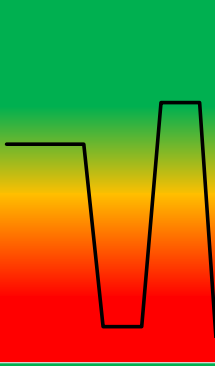
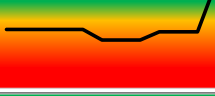


Month Ending

Dec-18

No.	Indicator	Rationale	Current Value	Target	Frequency	Trend	Commentary
D23	Income from entire property portfolio (£)	Output - indicator of premises demand	£3,810,643	£3,756,896	M		
D24	Void properties (%)	Output - indicator of premises demand	7%	7%	M		
D25	MAJORS - % of planning applications determined within agreed timescales.	We want to make speedy and consistent planning decisions. We have set our targets higher than the national requirements which are: Majors – 60% Minors – 65% Others – 80%	100.00%	85%	M		No major planning applications were determined in December 2018. 100% was achieved in Q3 out of 17 applications.
D26	MINORS - % of planning applications determined within agreed timescales.		93.10%	90%	M		29 minor planning applications were determined in December 2018. 10 applications were determined within 8 weeks, 17 required an extension of time and 2 applications were determined over the agreed timescale. 104 out of 107 achieved in Q3
D27	OTHERS - % of planning applications determined within agreed timescales.		100.00%	90%	M		67 other planning applications were determined in December 2018. 44 applications were determined within 8 weeks, 23 required an extension of time. 252 out of 257 achieved in Q3
D28	% of planning applications that had a pre-app which are valid first time.	To provide maximum effectiveness in meeting Strategic goals quickly & reliably.	48.57%	50.00%	M		Out of the 35 applications that had a pre-app, 17 of those were valid first time.
D29	% of Broadly compliant food businesses.	Ensuring access to safe, nutritious food is important for good health. We work with businesses and consumers to promote and secure high standards of food safety, and minimise risks to the health of residents and visitors by ensuring that all food processes, premises and food handlers to maintain good levels of hygiene.	97.7%	95.0%	M		97.7% is an extremely good level of compliance. West Suffolk statistics still compare very favourably with the Regional (R) and National (N) statistics which are currently: R = 96.2%. N = 94.8%.



STRATEGIC PRIORITY - DAY TO DAY

Month Ending Dec-18

No.	Indicator	Rationale	Current Value	Target	Frequency	Trend	Commentary
D30	Renewable energy production from West Suffolk's investments. MWh	Continue to investigate opportunities for renewable energy generation as part of the West Suffolk Community Energy Plan and Energy Framework.	1,762.00	1,152.00	Q		A 50KW solar installation was completed during this period. Another strong quarter for solar PV generation with both the solar farm and roof mounted installations performing well.
D31	Planning enforcement cases - numbers (new and closed) and resolution.	Enforcement resource targeted effectively	268	To Reduce Trend	M		There are 288 open cases, 26 new complaints were received in December 2018 and 23 cases were closed. 2 were closed as retrospective consent was granted, 3 were closed due to not expedient/no breach, 2 were referred to another service, 7 cases were remedied informally, 3 cases were permitted development, 2 cases were transferred to a new case and 1 case was closed as notice issues and complied with.
D32	Resolution of noise nuisance complaints.	Residents enjoy living in their environment/community. Reduction in noise-nuisance complaints by area.	56.00%	80.00%	Q		We received 138 noise nuisance complaints in quarter 3, 89 complaints active from previous quarters, total of 227 active cases in Q3. 126 cases were completed, 40 of those were outstanding from previous quarters. More complaints of music noise received near the end of the Q (due to the run up to Christmas I expect) and so this automatically makes the resolution of these unlikely before the end of Q3, and these then move into the following Q for actions or completion. The team have been focused on some more complex cases during this time, with staffing lower towards the end of the Q. It is expected that we will have a higher resolution rate, and back on target, by year end.
D33	% of all planning and licensing consultations responded to within the required time period.		97.44%	95.00%	Q		We received 313 consultations in quarter 3, out of those consultations 8 were responded to after the required time period.
D34	% Rate of return on investment - FHDC	Output - key to delivery of Treasury Management Strategy	0.71%	0.75%	M		Current interest rates available for investment running below yearly forecast.
D35	% Rate of return on investment - SEBC	Output - key to delivery of Treasury Management Strategy	0.74%	0.70%	M		Current interest rates available for investment running below yearly forecast.

STRATEGIC PRIORITY - DAY TO DAY

Month Ending Dec-18

No.	Indicator	Rationale	Current Value	Target	Frequency	Trend	Commentary
D36	Cost of Current External Borrowing	Output - key to delivery of Treasury Management Strategy	4.24%	N/A	M		Forest Heath DC Long-term loan with fixed interest rate. Will be looking at a potential break clause costs vs current PLWB rates.
D37	Bulding Control - Market Share		56%	60%	B		The team continues to maintain market share at 56% in an increasingly competitive environment. The contract for building control services on a number of large commercial projects has recently been secured by the team which has increased income but has not increased the market share percentage.
D38	% of Customers satisfied with the overall journey		98.00%	80.00%	Q		Based on 728 surveys and a continuing focus on customer engagement.

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(Income) & Expenditure: <u>West Suffolk Combined</u>	Current Year			December 2018	2019/20
	Year End Forecast £	Annual Budget £	Forecast Variance £	Variance Notes - figures in brackets represent underspends or additional income achieved.	Current Working Budget
Government Grants Outside Aggregate External Funding (AEF)	(36,464,659)	(36,747,007)	282,348	Lower Housing Benefits Subsidy received than budgeted	(34,904,220)
Transfer Payments, eg. The cost of payments to individuals for which no goods or services are received (primarily Benefits)	36,896,185	37,190,406	(294,221)	Housing Benefit Payments lower than budgeted	35,345,402
Overpayments Recovered	(538,152)	(790,095)	251,943	Forecasted to recover less HB overpayments than budgeted.	(491,182)
Total Benefits:	(106,626)	(346,696)	240,070	Forecast overspend offset by the Housing Benefits Equalisation Reserve	(50,000)
Income from Business Rates	(7,577,634)	(5,067,540)	(2,510,094)	(£1.246m) S31 Grant Income higher than budgeted; (£810k) additional Pool Levy payable; (£136k) Pilot Benefit Income higher than budgeted; and (£317k) Share of Suffolk Pooling higher than budgeted. Transferred to the Business Rates Retention Reserve.	(1,876,696)
Council Tax Income	(9,293,892)	(9,293,892)	0	On budget.	(9,481,825)
Grants:					
Formula Grant - Business Rate Retention Scheme	(5,109,407)	(5,075,261)	(34,146)	Forecasted to receive slightly more than budget as a result of Baseline Funding Adjustment.	(4,451,218)
New Homes Bonus Grant	(1,990,742)	(1,990,742)	0	On budget. Transferred to the Strategic Priorities & MTFs Reserve.	(1,848,172)
Other Grants	(1,709,096)	(1,278,057)	(431,039)	Includes (£245k) additional "one-off" New Burdens Funding for Homelessness, transferred to the Homelessness Reserve, plus (£175k) DWP New Burdens Funding transferred to the ARP Reserve.	(1,969,975)
	(25,680,771)	(22,705,492)	(2,975,279)		(19,627,886)
Contributions:					
Contributions - Suffolk County Council	(943,858)	(1,115,724)	171,866	Lower income than budgeted. Primarily relates to reduced Recycling Credits received in respect of Blue Bins, arising from a reduced Gate Fee.	(388,846)
Contributions - Other Organisations	(268,739)	(71,547)	(197,192)	Higher income than budgeted. Includes (£43k) Section 106 income, some of which has been transferred to Reserves, and various contributions (including Arts Council & English Heritage Funding) towards Armed Forces Day, Abbey Gardens etc.	(71,547)
Other Contributions	(343,205)	(219,680)	(123,525)	Higher income than budgeted. Includes Housing Benefit Accommodation Contributions (£53k), which partly offsets some of the increased costs of homelessness, and (£73k) Savings identified from unused Growth Manager post.	(559,581)
	(1,555,802)	(1,406,951)	(148,851)		(1,019,974)
Reimbursements:					
Service Level Agreement (SLA) Income	(742,285)	(691,858)	(50,427)	Slightly up on budget. Includes provision of Services to Anglia Revenues Partnership, EELGA, Abbeycroft Leisure etc.	(733,835)
Other Reimbursements	(2,409,705)	(2,231,855)	(177,850)	Higher income than budgeted. Includes (£72k) Babergh Mid Suffolk Legal Services reimbursements, partly offset by Professional Fees & Other Costs. Also includes (£132k) Shared Service Income payable from FHDC to SEBC re: Street Cleansing and Vehicle Workshop, offset by additional transport costs for FHDC (see Transport).	(1,613,568)
	(3,151,990)	(2,923,713)	(228,277)		(2,347,403)
Sales:					
Sales - Tickets	(1,149,796)	(1,113,417)	(36,379)	Income forecasted £46k higher than budget for the Apex. Offset partly by lower than budgeted income for the Bury Festival by £13k.	(1,125,687)
Fees - Planning Application	(1,545,507)	(1,682,250)	136,743	Planning Application Income forecast lower than budgeted.	(1,725,600)
Fees - Building Regulations	(336,959)	(330,000)	(6,959)	Building Control Income forecast higher than budgeted.	(340,000)
Fees - Refuse Collection & Disposal	(3,866,440)	(3,452,487)	(413,953)	Forecast higher income than budgeted, primarily from Trade Waste (£336k) and Garden Waste (£38k)	(3,985,155)
Fees - Car Parking	(6,134,227)	(6,408,187)	273,960	Car Parking Income forecast lower than budgeted. Levels under close review with regard to the year end and the overall MTFs position.	(6,339,187)
Growth Income	(157,400)	(2,425,000)	2,267,600	Income assumptions linked to the Growth Agenda forecast yet to be realised. Plans are currently being developed.	(702,633)
Other Sales	(5,801,174)	(4,884,218)	(916,956)	Forecast income higher than budgeted. Includes the following: Income above budget offset by additional expenditure/reserve contributions: (£232k) Landscaping income; (£109k) Cemetery Income; (£119k) Housing Options Satellite Refuge Provision income. Additional income above budget: (£16k) Council Tax Court Costs; and (£76k) Solar Farm Income. Plus a number of smaller income items.	(5,376,642)
	(18,991,503)	(20,295,559)	1,304,056		(19,594,904)
Rental:					
Rents - Industrial Units	(2,614,632)	(2,584,690)	(29,942)	Higher income than budgeted, mainly due to higher occupation.	(2,640,065)
Rents - Shops	(1,274,266)	(1,273,470)	(796)		(1,325,220)
Rents - Land	(966,654)	(956,428)	(10,226)		(956,428)
Other Rental	(517,735)	(528,165)	10,430		(664,365)
	(5,373,287)	(5,342,753)	(30,534)		(5,586,078)
Investment Interest & Dividends received	(530,500)	(542,500)	12,000	Forecasted investment income forecast to be lower than budgeted. Primarily related to FHDC investment income.	(337,642)

(Income) & Expenditure: West Suffolk Combined	Current Year			December 2018	2019/20
	Year End Forecast £	Annual Budget £	Forecast Variance £	Variance Notes - figures in brackets represent underspends or additional income achieved.	Current Working Budget
Total Income (excluding Benefits):	(55,283,853)	(53,216,968)	(2,066,885)		(48,513,887)
Total Cost of Employment	25,475,538	25,313,896	161,642	Forecast overspend against budget mainly comprises the following: £137k overall Agency Staff overspend (assuming £67k spend of the Corporate £200k budget); £110k Overtime overspend; £95k Other Pay overspend (includes Statutory Maternity Pay); Growth-related Cost Centres currently on budget, mainly due to vacancies which offset the non-capitalisation of salaries due to the timings of Growth projects.	27,095,685
%	46%	47%	9%		1
Premises Costs	5,859,252	5,956,443	(97,191)	Mainly due to (£204k) Building R&M underspend, offset by lower contributions from reserve, and £210k overspend on Grounds Maintenance (offset by additional income over budget).	5,933,369
%	11%	11%	-5%		0
Transport Costs	1,858,632	1,619,551	239,081	£64k predicted overspend on vehicle & plant hire, £71k additional spend on Spare parts, £65k increase in maintenance contract between FHDC & SEBC, offset by SEBC income.	1,238,366
%	3%	3%	13%		0
Supplies & Services Costs	10,387,189	9,255,303	1,131,886	Overspend mainly arising from: £206k Professional Fees, £90k relating to Local Plan (funded from Reserve), £59k for Christmas Fayre (fully offset by income), £11k Legal Service (partly offset by Babergh Mid Suffolk income); £61k overspend on Housing Accommodation costs, partly offset by Benefits income; £51k overspend on Materials; £85k tools & equipment; £317k Miscellaneous Expenses, including £165k ARP Court costs and £65k Woodlands Static Security; £98k overspend on ICT Equipment funded from the ICT Reserve,	8,791,382
%	19%	17%	61%		0
Third Party Payments, eg. Provision of services by other organisations that could be performed in-house.	2,897,456	3,160,500	(263,044)	Underspend relates to ARP costs (£234k), Shared Legal charge to BMS (£56k), partly offset by higher than budgeted Car Park payments (£52k)	1,946,471
%	5%	6%	-14%		0
Capital Costs, eg. Interest on borrowing, Minimum Revenue Provision	640,903	3,280,850	(2,639,947)	Consisting of the following: (£1.1m) Borrowing costs, £750k relates to the Growth agenda (£1.5m) Minimum Revenue Provision, £1.1m relating to Growth Offset by £2.3m income from Growth Agenda not yet realised. £283k overall net project benefits from Solar Farm and Olding Road transferred to the Capital Project Financing Reserve.	1,668,080
%	1%	6%	-142%		0
Net Contributions to/(from) Reserves (excluding Employee-related contributions which are included under the Total Cost of Employment)	8,298,975	4,977,121	3,321,854	Additional net contribution to Reserves includes the following transfers: £2.3m to Business Rates Retention Reserve; £500k to Housing Benefit Equalisation Reserve; £245k Homeless New Burdens Funding to Homelessness Reserve; £103k Satellite Refuge Provision monies transferred to Homelessness Reserve; £110k DWP New Burdens Funding to the ARP Reserve; £329k Project benefit to Capital Projects Financing Reserve; Offset by lower contributions from Reserves eg. Building maintenance etc.	1,890,536
%	15%	9%	179%		0
Total Expenditure (excluding Benefits):	55,417,945	53,563,664	1,854,281		48,563,889
Net (Surplus) / Deficit:	27,466	0	27,466		2

Appendix G – Forest Heath District Council Financial Forecast – Revenue, Capital & Reserves

Forecast Revenue Position

The forecast revenue outturn position currently shows an **overall overspend of £52k** (0.14% of the gross budget). A summary by Assistant Director can be found in **Appendix H** with comments for variances by cost centre in **Appendix I**.

The forecast revenue overspend is comprised of a number of positive and negative variances, the most significant of which are detailed in the table below. We will continue to monitor the position closely.

Further detail on the remainder of areas is available in **Appendix I**.

Forest Heath District Council Major Forecast Variances over £50k.

2018/19 Current Forecast variance: Over / (under) £000s	FHDC Details / proposed action
	<p><u>Interest and Capital Project Financing</u></p> <p>This includes a number of different items relating to the revenue elements around Capital Financing as well as investment income.</p> <p>As business cases come forward the financing of those business cases make provision for borrowing costs (minimum revenue provision and external borrowing costs). However, actual external borrowing would only take place when the Council’s treasury management activities identify such a need. For example, this could be when the Council’s cash flow management activities anticipate that an external cash injection is required to maintain the appropriate level of cash balances for the Council to operate and fulfil its budget and service delivery requirements.</p> <p>The variance below includes assumptions around the timing of our Investing in our Growth Agenda capital fund’s overall performance, that is intended to generate a net income stream of around £200k per annum, after allowing for the cost of borrowing and the minimum revenue provision.</p> <p>As projects from this fund are confirmed the budgets will be updated accordingly, and the figures shown assume that we will utilise the monies set aside for savings in external borrowing in order to offset the timing of this fund’s performance.</p>

2018/19 Current Forecast variance: Over / (under) £000s	FHDC Details / proposed action
<p>63 (615) (930) 1,161 322</p> <p><u>0</u></p>	<p><u>Interest and Capital Project Financing (continued)</u></p> <p>The variances are shown below:</p> <p>Interest Receivable Interest Payable on Borrowing Minimum Revenue Provision Income Assumptions Contributions to Earmarked Reserves</p> <p>Total Forecast – on budget</p>
<p>112</p>	<p><u>Development Control</u></p> <p>Planning application income expected to be significantly down on budget due to fewer major applications so far this financial year.</p>
<p>(99)</p>	<p><u>Solar Farm</u></p> <p>As one of our key areas of investment, the Solar Farm has performed strongly this financial year and has exceeded generation targets in all months other than April.</p> <p>Lower than budgeted Maintenance Costs, Business Rates & Insurance also contribute to an expected underspend.</p>
<p>75</p>	<p><u>Recycling Collection (Blue Bin)</u></p> <p>Recycling Performance Payment (RPP) income received net of the gate fee from SCC has decreased to £30.61 from £44.21 (figure used to budget) for approx. 4,000 tonnes collected annually. There is also a 17/18 residual balance as February and March 2018 tonnage estimates were higher than actual. In 17/18, a contribution was made to reserves of £55k to protect against volatility in commodity rates. This can be released in 18/19 to smooth the trend.</p>
<p>(53)</p>	<p><u>Compostable Collection (Brown Bin)</u></p> <p>Anticipated brown bin income is up by 2.8%. Assumed payments to SCC and other costs are currently forecast to be down at present. The service is currently on track to achieve the budgeted break-even position by 2019/20.</p>

2018/19 Current Forecast variance: Over / (under) £000s	FHDC Details / proposed action
<p>52</p>	<p><u>Markets</u></p> <p>The initial set up costs for the move of Newmarket Market to the High St has caused the overspend in this service area. A 3 month review is commencing on the 18 January 2019 to understand the impact, look into to the ongoing running costs and processes which could be supported by partners and stakeholders in Newmarket.</p>

Forecast Capital Programme

The Council is currently forecasting to spend **£7.4m** of its capital budget of £44.9m for 2018/19. Around £37m is likely to be re-profiled into 2019/20 as a result of project timings and more accurate project spend profiling.

The following table gives a high level summary of capital expenditure against budget for 2018/19. Further detail by individual capital project can be found in **Appendix J**.

Assistant Director	2018/19 Revised Full Year Budget	2018/19 Actual Spend to Date	2018/19 Forecast Spend	2018/19 External Grant Funded	2018/19 Carried Forward	2018/19 Forecast Over / (under) Spend
	£000s	£000s	£000s	£000s	£000s	£000s
Resources & Performance	3,922	42	250	0	3,500	(172)
Human Resources	14	9	9	0	0	(5)
Families & Communities	311	0	0	0	275	(36)
Planning & Regulatory	2,233	828	1,327	57	798	(165)
Operations	16,558	2,250	4,288	0	12,240	(30)
Growth	21,828	946	1,564	0	20,114	(150)
Totals:	44,866	4,075	7,438	57	36,927	(558)

Forecast Earmarked Reserves

The council's balance on Earmarked Revenue Reserves at the end of the financial year is currently forecasted to be around **£14.3m**. Details of the individual reserve balances and movements during the year can be found in **Appendix K**.

Summary by Assistant Director

2018/19 December Budget Monitoring Report

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 (under)/over £
Resources & Performance	(3,330,116)	16,912,641	(20,688,636)	(3,775,995)	15,391,814	(24,314,702)	(8,922,883)	(5,146,888)	0.30%	(9,996)
Human Resources, Legal & Democratic	1,040,398	1,058,441	(273,828)	784,613	937,175	(175,996)	761,177	(23,436)	5.78%	(60,104)
Families & Communities	1,196,859	1,472,802	(441,023)	1,031,778	1,449,461	(450,105)	999,359	(32,419)	2.14%	(25,594)
Planning & Regulatory	(734,479)	1,439,916	(2,107,420)	(667,504)	1,216,329	(1,945,717)	(729,389)	(61,885)	3.00%	22,034
Operations	558,747	6,470,827	(5,942,468)	528,360	6,617,039	(6,209,393)	407,649	(120,711)	18.64%	104,135
Growth	710,989	838,647	(271,242)	567,405	818,039	(234,486)	583,552	16,147	3.03%	21,528
TOTALS:	(557,602)	28,193,274	(29,724,617)	(1,531,343)	26,429,857	(33,330,399)	(6,900,535)	(5,369,192)		52,003
Interest & Capital Project Financing										
Interest Receivable	(224,000)	0	(168,003)	(168,003)	0	(109,582)	(109,582)	58,421	24.55%	55,000
Interest Payable	784,100	588,069	0	588,069	85,032	0	85,032	(503,037)	78.37%	(614,500)
Minimum Revenue Provision	1,158,250	6,237	0	6,237	227,660	0	227,660	221,423	80.34%	(930,590)
Income from Growth Projects	(1,160,750)	0	(870,561)	(870,561)	0	0	0	870,561	100.00%	1,160,750
Contributions to/(from) Reserves	0	0	0	0	0	0	0	0	0.00%	329,340
TOTALS:	(4)	28,787,580	(30,763,181)	(1,975,601)	26,742,549	(33,439,981)	(6,697,425)	(4,721,824)		52,003

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Detail by Assistant Director

2018/19 December Budget Monitoring Report

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 £	Forecast Variance Notes (numbers in brackets are underspends or increased income)
Resources & Performance	421,567	350,276	(28,914)	321,362	326,970	(5,789)	321,182	(180)	0.28%	(1,189)	
General Fund Adjustments	(5,685,210)	3,262,623	(8,884,114)	(5,621,491)	2,141,707	(13,111,211)	(10,969,504)	(5,348,013)	0.00%	0	
Resources & Performance:	(5,263,643)	3,612,899	(8,913,028)	(5,300,129)	2,468,677	(13,117,000)	(10,648,322)	(5,348,193)		(1,189)	
Internal Audit	70,740	57,368	(3,676)	53,692	57,290	0	57,290	3,598	0.94%	666	
Internal Audit:	70,740	57,368	(3,676)	53,692	57,290	0	57,290	3,598		666	
ICT	500,843	590,960	(229,079)	361,881	571,696	(123,739)	447,957	86,076	0.69%	3,435	
ICT:	500,843	590,960	(229,079)	361,881	571,696	(123,739)	447,957	86,076		3,435	
Anglia Revenues Partnership	857,651	689,464	(8,622)	680,842	728,015	(67,844)	660,172	(20,670)	0.00%	0	
Council Tax Administration	(188,737)	747	(156,980)	(156,233)	798	(186,929)	(186,130)	(29,897)	3.76%	(7,093)	
Business Rate Administration	(95,222)	747	(72,171)	(71,424)	798	(93,214)	(92,415)	(20,991)	0.50%	472	
Housing Benefits	(247,500)	11,023,413	(11,209,032)	(185,619)	10,791,350	(10,691,957)	99,393	285,012	0.00%	0	
Anglia Revenues Partnership:	326,192	11,714,371	(11,446,805)	267,566	11,520,961	(11,039,944)	481,020	213,454		(6,621)	
Corporate Expenditure	1,016,287	917,578	(96,048)	821,530	752,238	(33,925)	718,314	(103,216)	0.76%	(7,680)	
Non-Distributed Costs	0	0	0	0	1,150	(94)	1,056	1,056	0.00%	1,056	
Corporate Expenditure:	1,016,287	917,578	(96,048)	821,530	753,388	(34,019)	719,370	(102,160)		(6,624)	
Emergency Planning	19,465	19,465	0	19,465	19,802	0	19,802	337	1.73%	337	
Emergency Planning:	19,465	19,465	0	19,465	19,802	0	19,802	337		337	
TOTALS: RESOURCES & PERFORMANCE	(3,330,116)	16,912,641	(20,688,636)	(3,775,995)	15,391,814	(24,314,702)	(8,922,883)	(5,146,888)		(9,996)	

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 £	Forecast Variance Notes (numbers in brackets are underspends or increased income)
Human Resources & Payroll	327,744	286,786	(45,669)	241,117	240,882	(40,738)	200,144	(40,973)	12.21%	(40,008)	Corporate Agency Budget expecting very little expenditure
Human Resources:	327,744	286,786	(45,669)	241,117	240,882	(40,738)	200,144	(40,973)		(40,008)	
Health & Safety	56,025	46,497	(4,005)	42,492	44,592	(891)	43,700	1,208	3.05%	1,707	
Health & Safety:	56,025	46,497	(4,005)	42,492	44,592	(891)	43,700	1,208		1,707	
Central Training Services	81,283	103,963	(43,074)	60,889	41,851	(1,939)	39,911	(20,978)	25.42%	(20,666)	Staffing and training costs likely to be underspent
Learning & Development:	81,283	103,963	(43,074)	60,889	41,851	(1,939)	39,911	(20,978)		(20,666)	
Legal Services	125,931	246,770	(151,272)	95,498	212,154	(109,653)	102,501	7,003	22.53%	(28,369)	Underspend on Staffing Costs, mainly arising from vacant posts and additional BMS income
Legal Services:	125,931	246,770	(151,272)	95,498	212,154	(109,653)	102,501	7,003		(28,369)	
Democratic Services	116,843	108,848	(19,503)	89,345	103,506	(12,801)	90,706	1,361	1.06%	1,241	
Members Allowances & Expenses	219,673	164,881	0	164,881	171,867	0	171,867	6,986	2.90%	6,381	
Mayoralty & Civic Functions	9,839	9,120	0	9,120	7,101	(613)	6,487	(2,633)	25.86%	(2,544)	
Democratic Services:	346,355	282,849	(19,503)	263,346	282,474	(13,414)	269,060	5,714		5,078	
Electoral Registration	90,777	79,308	(10,305)	69,003	100,372	(9,361)	91,011	22,008	26.92%	24,437	Additional costs expected on Postage & Staffing
Election Expenses	12,283	12,268	0	12,268	14,850	0	14,850	2,582	18.59%	(2,283)	
Elections:	103,060	91,576	(10,305)	81,271	115,222	(9,361)	105,861	24,590		22,154	
TOTALS: HR, LEGAL & DEMOCRATIC	1,040,398	1,058,441	(273,828)	784,613	937,175	(175,996)	761,177	(23,436)		(60,104)	

Detail by Assistant Director

2018/19 December Budget Monitoring Report

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 £	Forecast Variance Notes (numbers in brackets are underspends or increased income)
Policy	125,066	122,759	(24,714)	98,045	137,198	(50,378)	86,820	(11,225)	7.81%	(9,773)	
Policy:	125,066	122,759	(24,714)	98,045	137,198	(50,378)	86,820	(11,225)		(9,773)	
Communications	82,173	80,356	(16,560)	63,796	65,947	(5,861)	60,086	(3,710)	1.22%	(1,001)	
Website and Intranet	22,457	19,018	0	19,018	11,661	0	11,661	(7,357)	0.60%	134	
Communications:	104,630	99,374	(16,560)	82,814	77,608	(5,861)	71,747	(11,067)		(867)	
Customer Services	377,236	303,372	0	303,372	290,812	0	290,812	(12,560)	3.44%	(12,990)	
Bus Stations	48,765	47,698	(7,650)	40,048	20,810	(7,686)	13,125	(26,923)	3.13%	(1,527)	
Customer Services:	426,001	351,070	(7,650)	343,420	311,622	(7,686)	303,937	(39,483)		(14,517)	
Families & Communities	186,060	178,941	(36,135)	142,806	149,850	(20,573)	129,277	(13,529)	0.83%	(1,538)	
Community Chest - Families & Communities	90,250	265,055	(174,805)	90,250	225,210	(125,865)	99,345	9,095	0.00%	0	
Health, Culture & Arts	5,000	3,753	0	3,753	2,937	0	2,937	(816)	0.00%	0	
Community Centres	3,048	3,048	0	3,048	4,647	(1,225)	3,423	375	7.84%	239	
Families & Communities:	284,358	450,797	(210,940)	239,857	382,644	(147,663)	234,982	(4,875)		(1,299)	
Housing Options: Choice Based Lettings	45,296	69,357	(5,202)	64,155	69,386	(3,437)	65,950	1,795	7.34%	(3,323)	
Housing Options: Advice & Prevention	152,694	331,369	(175,957)	155,411	398,034	(235,080)	162,954	7,543	1.77%	(2,709)	
Housing Options: Solutions	58,814	48,076	0	48,076	72,969	0	72,969	24,893	11.72%	6,894	
Housing Options:	256,804	448,802	(181,159)	267,642	540,389	(238,517)	301,873	34,231		862	
TOTALS: FAMILIES & COMMUNITIES	1,196,859	1,472,802	(441,023)	1,031,778	1,449,461	(450,105)	999,359	(32,419)		(25,594)	

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Detail by Assistant Director

2018/19 December Budget Monitoring Report

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 £	Forecast Variance Notes (numbers in brackets are underspends or increased income)
Development Control	(226,237)	406,511	(570,177)	(163,666)	329,982	(418,636)	(88,654)	75,012	49.59%	112,200	Planning Fee income currently predicted to be significantly lower than budget, partly offset by underspends in Staffing costs.
Development Control:	(226,237)	406,511	(570,177)	(163,666)	329,982	(418,636)	(88,654)	75,012		112,200	
Land Charges	(51,483)	35,410	(73,440)	(38,030)	26,234	(71,268)	(45,034)	(7,004)	11.59%	(5,965)	
Building Control	19,777	104,035	(87,606)	16,429	107,629	(90,575)	17,054	625	31.28%	6,186	
Planning & Regulatory Support	189,154	144,907	0	144,907	148,232	0	148,232	3,325	1.42%	2,678	
Business (BC & Support):	157,448	284,352	(161,046)	123,306	282,095	(161,843)	120,252	(3,054)		2,899	
Prevention of Pollution	25,260	23,654	(4,734)	18,920	14,835	(8,079)	6,756	(12,164)	29.74%	(7,512)	
Environmental Management	(26,264)	41,584	(66,347)	(24,763)	27,297	(18,028)	9,269	34,032	66.99%	17,593	Loss of Solar for Business income due to lower capital spend than anticipated in previous years
Drinking Water Quality	22,377	22,568	(5,247)	17,321	19,653	(3,305)	16,348	(973)	20.84%	(4,664)	
Climate Change	24,454	21,551	0	21,551	20,913	0	20,913	(638)	0.04%	(9)	
Solar Farm	(986,662)	298,522	(1,157,000)	(858,478)	193,406	(1,188,584)	(995,178)	(136,700)	10.01%	(98,788)	Exceeding income generation targets as well as lower Business Rates , Insurance & O&M costs.
Home Energy Conservation	3,430	2,574	0	2,574	0	0	0	(2,574)	98.28%	(3,371)	
Environment:	(937,405)	410,453	(1,233,328)	(822,875)	276,104	(1,217,996)	(941,892)	(119,017)		(96,751)	
Licensing	(5,205)	79,124	(90,927)	(11,803)	70,373	(68,188)	2,185	13,988	277.12%	14,424	
Hackney Carriage & Private Hire Licensing	(51,960)	720	(47,541)	(46,821)	1,107	(63,124)	(62,017)	(15,196)	5.42%	(2,815)	
Food Safety	70,035	57,368	(387)	56,981	48,864	(869)	47,995	(8,986)	3.75%	(2,629)	
Health & Safety at Work Act/Enforcement	50,430	38,314	0	38,314	40,297	0	40,297	1,983	5.96%	3,004	
Business Reg & Licensing:	63,300	175,526	(138,855)	36,671	160,641	(132,181)	28,460	(8,211)		11,984	
Housing Renewals	77,048	58,798	(144)	58,654	60,340	(208)	60,131	1,477	0.53%	408	
Burial of the Dead	8,918	6,698	(27)	6,671	6,285	(35)	6,250	(421)	5.29%	(472)	
Other Public Health Services	122,449	97,578	(3,843)	93,735	100,882	(14,818)	86,064	(7,671)	6.72%	(8,234)	
Public Health & Housing:	208,415	163,074	(4,014)	159,060	167,507	(15,061)	152,445	(6,615)		(8,298)	
TOTALS: PLANNING	(734,479)	1,439,916	(2,107,420)	(667,504)	1,216,329	(1,945,717)	(729,389)	(61,885)		22,034	

Detail by Assistant Director

2018/19 December Budget Monitoring Report

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 £	Forecast Variance Notes (numbers in brackets are underspends or increased income)
Pool Cars	559	559	0	559	513	0	513	(46)	8.23%	(46)	
Fleet Management:	559	559	0	559	513	0	513	(46)		(46)	
Depots	(38,065)	67,550	(113,865)	(46,315)	75,422	(121,041)	(45,620)	695	14.02%	(5,335)	
Grounds Maintenance Operatives	669	172,411	(202,849)	(30,438)	234,720	(162,437)	72,283	102,721	2559.94%	17,126	
Tree Maintenance Operatives	0	0	0	0	0	(9,295)	(9,295)	(9,295)	0	0	
Waste & Cleansing Operatives	(33,926)	1,279,590	(1,618,330)	(338,740)	1,412,824	(1,645,089)	(232,264)	106,476	141.50%	48,005	
Markets	93,537	107,597	(17,622)	89,975	198,286	(20,499)	177,788	87,813	55.55%	51,963	
Operational:	22,215	1,627,148	(1,952,666)	(325,518)	1,921,252	(1,958,361)	(37,108)	288,410	5	111,759	
Street Cleansing	593,296	539,052	(5,130)	533,922	643,558	(97,310)	546,248	12,326	3.06%	18,144	Forecast overspend mainly from Operational Staffing costs.
Refuse Collection (Black Bin)	463,781	431,887	0	431,887	437,395	(444)	436,951	5,064	1.41%	6,529	
Recycling Collection (Blue Bin)	284,289	422,517	(112,465)	310,052	435,530	(64,633)	370,897	60,845	26.25%	74,619	Recycling credits currently expected to fall short of budget. To be monitored closely in the coming months.
Compostable Collection (Brown Bin)	(3,894)	433,143	(498,030)	(64,887)	260,992	(506,557)	(245,565)	(180,678)	1360.22%	(52,967)	Anticipated brown bin income is up by 2.8%. Assumed payments to SCC and other costs are currently forecast to be down at present. The service is currently on track to achieve the budgeted break-even position by 2019/20.
Bulky, Fridges, Metal & Scrap Collection	44,254	58,778	(15,003)	43,775	58,719	(24,606)	34,113	(9,662)	18.77%	(8,306)	
Clinical & Hazardous Waste Collection	12,721	10,047	(486)	9,561	8,575	(269)	8,306	(1,255)	12.65%	(1,609)	
Multi-Bank Recycling Sites	(38,983)	24,927	(43,447)	(18,520)	3,832	(73,166)	(69,333)	(50,813)	77.26%	(30,120)	
Trade Waste	(149,680)	273,761	(487,735)	(213,974)	323,742	(576,821)	(253,078)	(39,104)	33.73%	(50,480)	Income currently expected to be higher than budgeted.
Waste - Business & Commercial	1,205,784	2,194,112	(1,162,296)	1,031,816	2,172,343	(1,343,806)	828,539	(203,277)		(44,190)	
Non-HRA Housing Properties	(23,047)	33,850	(49,739)	(15,889)	29,137	(28,911)	227	16,116	97.08%	22,373	
Property Services	349,343	266,631	(2,457)	264,174	268,777	(1,979)	266,798	2,624	1.31%	4,593	
Property Maintenance:	326,296	300,481	(52,196)	248,285	297,914	(30,890)	267,025	18,740		26,966	

Detail by Assistant Director

2018/19 December Budget Monitoring Report

ASSISTANT DIRECTOR - OPERATIONS (continued)

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 £	Forecast Variance Notes (numbers in brackets are underspends or increased income)
Industrial & Business Units	(692,529)	654,728	(1,079,810)	(425,082)	374,324	(1,023,754)	(649,430)	(224,348)	3.07%	(21,242)	Income currently forecasted to be around £10k higher than budgeted.
Town Centres & Shops	(845,526)	56,802	(616,802)	(559,999)	51,520	(553,631)	(502,112)	57,887	0.10%	847	
Property Management:	(1,538,055)	711,530	(1,696,612)	(985,081)	425,844	(1,577,385)	(1,151,542)	(166,461)		(20,395)	
Offices: College Heath Road	(138,559)	209,920	(371,144)	(161,224)	210,852	(402,925)	(192,073)	(30,849)	8.23%	(11,408)	
Offices: Brandon & Newmarket Guineas	(19,200)	42,270	(66,438)	(24,168)	57,863	(58,302)	(439)	23,729	32.55%	6,250	
Public Conveniences	54,339	51,941	(7,803)	44,138	53,950	(16,785)	37,165	(6,973)	10.89%	(5,916)	
CCTV	90,004	67,694	0	67,694	26,290	0	26,290	(41,404)	19.93%	17,938	
Green Travel Plan	0	0	0	0	0	(305)	(305)	(305)	0.00%	0	
District Highways Services	(8,936)	19,503	(1,449)	18,054	10,927	(30,616)	(19,689)	(37,743)	60.15%	(5,375)	
Land Drainage & Associated Works	79,000	39,460	0	39,460	81,729	0	81,729	42,269	3.45%	2,729	
Facilities, CCTV & Highways Services:	56,648	430,788	(446,834)	(16,046)	441,611	(508,933)	(67,322)	(51,276)		4,218	
Courier & Postal Service	22,471	17,118	0	17,118	109	0	109	(17,009)	7.69%	(1,727)	
Printing & Copying Service	33,833	26,830	0	26,830	18,771	553	19,324	(7,506)	15.29%	(5,173)	
Central Services:	56,304	43,948	0	43,948	18,880	553	19,433	(24,515)		(6,900)	
Off Street Car Parks	(397,924)	253,156	(510,759)	(257,603)	292,598	(519,771)	(227,173)	30,430	10.82%	43,057	Car Parking income below target, Business Rates higher than budgeted by £12k, partly offset by savings in other areas.
Car Parking:	(397,924)	253,156	(510,759)	(257,603)	292,598	(519,771)	(227,173)	30,430		43,057	
Arboriculture (Tree Maintenance Works)	93,441	71,115	0	71,115	78,388	(151)	78,237	7,122	4.88%	(4,563)	
Other Parks and Play Provision	172,969	202,248	(29,133)	173,115	243,754	(93,741)	150,013	(23,102)	2.55%	(4,414)	
Children's Play Areas	67,522	60,659	(3,000)	57,659	48,380	(4,994)	43,386	(14,273)	4.11%	(2,776)	
Brandon Country Park	22,210	22,084	0	22,084	64,954	(62,880)	2,074	(20,010)	0.95%	(210)	Brandon Country Park transferred to FHDC from April 2018. Budgets still being worked on and likely that some costs will move from other areas.
Cemeteries & Closed Churchyards	15,645	11,736	0	11,736	60,837	(57,325)	3,512	(8,224)	15.90%	(2,488)	
Allotments	(214)	0	(214)	(214)	0	(214)	(214)	0	0.00%	0	
Parks & Open Spaces	371,573	367,842	(32,347)	335,495	496,313	(219,305)	277,008	(58,487)		(14,451)	

Detail by Assistant Director

2018/19 December Budget Monitoring Report

ASSISTANT DIRECTOR - OPERATIONS (continued)

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 £	Forecast Variance Notes (numbers in brackets are underspends or increased income)
Sports & Leisure Centres	423,088	500,499	(75,636)	424,863	464,829	(37,828)	427,001	2,138	1.19%	5,022	
Leisure & Sports	22,000	16,497	0	16,497	14,150	0	14,150	(2,347)	0.00%	0	
Sports & Leisure Development	445,088	516,996	(75,636)	441,360	478,979	(37,828)	441,151	(209)		5,022	
Arts, Heritage & Cultural Services	9,664	8,864	(747)	8,117	8,294	(231)	8,063	(54)	0.59%	(57)	
Heritage	9,664	8,864	(747)	8,117	8,294	(231)	8,063	(54)		(57)	
Shopmobility	8,340	7,502	0	7,502	5,095	0	5,095	(2,407)	0.00%	0	
The Pavilion - Lady Wolverton Playingfield	(7,793)	7,882	(12,375)	(4,493)	5,769	(10,862)	(5,093)	(600)	10.27%	(800)	
Palace House and Stables	48	19	0	19	51,634	(2,574)	49,060	49,041	100.00%	(48)	
Halls & Events	595	15,403	(12,375)	3,028	62,498	(13,436)	49,062	46,034	1	(848)	
TOTALS: OPERATIONS	558,747	6,470,827	(5,942,468)	528,360	6,617,039	(6,209,393)	407,649	(120,711)		104,135	

Detail by Assistant Director

2018/19 December Budget Monitoring Report

ASSISTANT DIRECTOR - GROWTH

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 £	Forecast Variance Notes (numbers in brackets are underspends or increased income)
Housing Development & Strategy	77,117	103,554	(45,396)	58,158	110,506	(31,080)	79,425	21,267	10.92%	8,421	
Gypsies & Travellers	14,418	10,820	(27)	10,793	6,285	(35)	6,250	(4,543)	3.31%	(477)	
Housing Development & Strategy:	91,535	114,374	(45,423)	68,951	116,791	(31,115)	85,675	16,724		7,944	
Strategic Property	48,534	55,084	(18,747)	36,337	67,749	0	67,749	31,412	74.14%	35,982	Expected pressure due to currently being unable to Capitalise salaries due to timing of Capital Projects. Partly offset by vacancies in the team.
Strategic Property	48,534	55,084	(18,747)	36,337	67,749	0	67,749	31,412	1	35,982	
Housing Business & Partnerships	(1)	0	0	0	0	0	0	0	100.00%	1	
Housing Business & Partnerships:	(1)	0	0	0	0	0	0	0	1	1	
Planning Policy	361,572	354,448	(54,234)	300,214	322,039	(36,458)	285,581	(14,633)	3.51%	(12,686)	
Local Plan	5,000	78,750	(74,997)	3,753	139,596	(137,290)	2,306	(1,447)	53.88%	(2,694)	
Place Shaping:	366,572	433,198	(129,231)	303,967	461,635	(173,748)	287,887	(16,080)		(15,380)	
Economic Development & Growth	159,330	202,223	(77,841)	124,382	141,089	(24,273)	116,816	(7,566)	3.29%	(5,248)	
Strategic Tourism & Markets	30,339	22,761	0	22,761	11,803	0	11,803	(10,958)	7.16%	(2,172)	
Vibrant Town Centres	14,680	11,007	0	11,007	18,972	(5,350)	13,622	2,615	2.73%	401	
Economic Development & Growth:	204,349	235,991	(77,841)	158,150	171,864	(29,623)	142,241	(15,909)		(7,019)	
TOTALS: GROWTH:	710,989	838,647	(271,242)	567,405	818,039	(234,486)	583,552	16,147		21,528	

2018/19 December Capital Budget Monitoring Report

Project Description	Revised Budget for Year £	Actual Spend Year to date £	2018-19 Forecast Actual Spend £	2018/19 Funded from External Grants £	2018-19 Carry Forward Requested £	Over/ (Under) Spend for Year £	Notes	Total Project Budget 2017-2022 £
<u>Resources & Performance</u>								
Invest to Save Projects	172,000	0	0	0	0	(172,000)	Budget to be allocated to appropriate projects as they arise.	282,000
Leisure Capital Investment Fund	3,500,000	0	0	0	3,500,000	0	Plans for the Leisure Projects are currently being drawn up, and it is likely that the majority of these will commence in 2019/20.	3,500,000
FHDC - Single Council	250,000	42,383	250,000	0	0	0	This project supports the implementation of the Single Council Business Case, and is funded from the Flexible Use of Capital Receipts. Full spend expected in 2018/19.	250,000
<u>Human Resources, Legal & Democratic</u>								
Health & Safety Management Software	14,000	9,151	9,151	0	0	(4,849)	Project spend now completed. Underspend to be retained in the Invest to Save Reserve in line with the original funding.	14,000
<u>Families & Communities</u>								
Customer Access Project	36,450	0	0	0		(36,450)	Project Scoping under review	36,450
Housing Solutions	275,000	0	0	0	275,000	0	This project is made up of £355k carried forward from 2017/18, and £50k transferred from the Flowerpot Project, of which £130k has been allocated to the Palace Cottage conversion as shown below in the Operations Service.	455,000
<u>Planning & Regulatory</u>								
Private Sector Disabled Facilities Grants	461,734	442,250	461,734	0	0	0	External grant funded. Currently expecting to spend in full for 2018/19.	875,000
Private Sector Renewal Grants	388,953	190,841	253,505	0	0	(135,448)	The service is currently reviewing the likely demand for these grants.	1,100,000

2018/19 December Capital Budget Monitoring Report

Project Description	Revised Budget for Year £	Actual Spend Year to date £	2018-19 Forecast Actual Spend £	2018/19 Funded from External Grants £	2018-19 Carry Forward Requested £	Over/ (Under) Spend for Year £	Notes	Total Project Budget 2017-2022 £
Historic Buildings Grant	29,653	0	0	0	0	(29,653)		30,000
Community Energy Plan	1,352,740	134,222	555,000	0	797,740	0	Spend on this project primarily relates to the "Rent a Roof" scheme. The service is currently formulating a development plan for this project which will inform the likely spend going forward, and any associated revenue implications.	1,482,821
Parish Council S106 Grants	0	60,269	56,686	56,686	0	0	These projects are funded from S106 contributions and are allocated as and when they are received.	190,824
Operations								
Asset Management Plan	285,271	0	285,271	0	0	0	To be allocated to appropriate Property Services Asset Management Plan projects as they arise.	606,271
Vehicle & Plant Purchases	141,152	36,700	141,152	0	0	0	Based on the Vehicle Replacement Programme, and expected to be fully utilised in 2018/19.	1,842,000
Mildenhall Hub	10,034,484	424,403	1,000,000	0	9,034,484	0	Works have commenced on this project, and an updated profiled spend will be available for Quarter 4.	19,810,000
Mildenhall Hub - Investing In Renewable Energy	2,000,000	0	0	0	2,000,000	0	Linked to the Mildenhall Hub Project as shown above. An updated profile on the anticipated project spend will be available for Quarter 4.	2,000,000
Swimming Pool Mildenhall	250,000	0	0	0	250,000	0	Linked to the Mildenhall Hub Project above.	250,000
Waste & Street Scene Back Office System	48,485	761	48,485	0	0	0	Project carried forward from 2017/18. Relates to the implementation of the BARTEC system.	54,128
West Suffolk Operational Hub	3,309,810	1,772,764	2,354,509	0	955,301	(0)	Project underway, current expected spend as advised by the Project Architects.	4,042,000
James Carter Road Resurfacing	30,000	0	30,000	0	0	0	Funded from the Property Asset Management Plan. Expected to be completed in 2018/19.	30,000

2018/19 December Capital Budget Monitoring Report

Project Description	Revised Budget for Year £	Actual Spend Year to date £	2018-19 Forecast Actual Spend £	2018/19 Funded from External Grants £	2018-19 Carry Forward Requested £	Over/ (Under) Spend for Year £	Notes	Total Project Budget 2017-2022 £
Palace Cottage, Newmarket Conversion	130,000	462	130,000	0	0	0	Project budget allocated from the Housing Solutions project included in Families & Communities above. Completion may slip into 2019/20.	130,000
Palace Coach House, Newmarket Refit	110,000	0	110,000	0	0	0	Project completion may slip into 2019/20.	110,000
Putney Close, Brandon - void unit improvements including Roof Upgrade	50,000	15,110	20,000	0	0	(30,000)	Part of the Property Asset Management Plan. Project expected to be completed in 2018/19.	50,000
James Carter Road, Mildenhall - upgrade Service Road and void unit improvements	169,000	220	169,000	0	0	0	Part of the Property Asset Management Plan. Project expected to be completed in 2018/19.	169,000
Investing in our Growth Agenda								
Winton Street Newmarket - Wider Pedestrianisation Scheme	150,000	0	0	0	0	(150,000)	Project under review at present.	150,000
Barley Homes	1,678,250	202,500	821,250	0	857,000	0	The Barley Homes revised business plan is currently under development, with a view to presenting a revised profile of the agreed loan facility	2,975,000
Investing in our Growth Agenda	19,256,840	0	0	0	19,256,840	0	To be allocated to appropriate Growth projects as they arise	19,258,718
113 High Street/3 The Avenue, Newmarket (Growth Agenda)	743,161	743,160	743,160	0	0	(0)	Purchase completed. Forms part of the £20m "Investing in our Growth Agenda" Project.	741,283
TOTALS;	44,866,982	4,075,195	7,438,904	56,686	36,926,365	(558,400)		60,434,495

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MTFS Earmarked Reserves Projections

2018/19 December Budget Monitoring Report

Account	Reserve Description	2018/19 Opening Balance £	2018/19 Net Budgeted Movement to / (from) Reserve £	2018/19 Budgeted Closing Balance £	2018/19 Current Balance £	2018/19 Forecast Closing Balance £	2018/19 Forecast Variance Over / (Under) Utilised £	Variance Notes (variances in brackets denote less reserve used than budgeted)
BZ896	Investing in our Growth Agenda Reserve	940,845	(262,484)	678,361	889,882	824,499	(146,138)	This reserve has been set up to support the delivery of the council's growth agenda. Reports CAB/FH/17/018 and COU/FH/17/004 refer. Utilisation in 2018/19 relates to Capacity Resourcing Funding, whilst the forecast under-utilisation is mainly down to recruitment timings.
BZ897	Capital Project Financing Reserve	251,518	0	251,518	251,518	580,858	(329,340)	This Reserve was 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.
BZ898	BBR Pilot: Place-Based Reserve	0	952,000	952,000	0	991,000	(39,000)	This is a new reserve which has been set up to hold the benefit from the Suffolk 100% Business Rate Retention Pilot in 2018/19. To be utilised against projects as agreed by the Suffolk Leaders. The £39k year end variance relates to additional monies received over and above the budgeted amount.
BZ803	Strategic Priorities & MTFS Reserve	8,321,861	(7,622,149)	699,712	8,635,384	6,515,819	(5,816,107)	Budgeted Reserve movement includes £7.9m Capital Programme Funding for 2018/19. The under-utilisation mainly relates to £3.5m Capital Project timing differences in the Leisure Capital Investment Project, £1.9m timings re: Mildenhall Hub, plus £0.8mk projected underspend on the Community Energy Plan Project.
BZ804	Invest to Save Reserve	381,532	(68,792)	312,740	358,313	379,491	(66,751)	Budgeted utilisation during 2018/19 includes funding for the Waste & Street Scene Back Office System Capital Project. The forecast under-utilisation relates to Staffing Resources currently being funded in the overall budget position.

MTFS Earmarked Reserves Projections

2018/19 December Budget Monitoring Report

Account	Reserve Description	2018/19 Opening Balance £	2018/19 Net Budgeted Movement to / (from) Reserve £	2018/19 Budgeted Closing Balance £	2018/19 Current Balance £	2018/19 Forecast Closing Balance £	2018/19 Forecast Variance Over / (Under) Utilised £	Variance Notes (variances in brackets denote less reserve used than budgeted)
BZ808	Risk/Recession Reserve	169,994	(80,708)	89,286	89,286	89,286	0	Monies set aside to provide against possible future financial risks arising, for example shortfalls in income levels and interest rates, reductions in Government grant funding and the like. Currently expected to be in line with Budget.
BZ809	BRR Equalisation Reserve	1,046,938	364,268	1,411,206	868,651	2,081,433	(670,227)	This reserve is intended to neutralise the impact of any fluctuations in growth or reductions in Business Rates Income under the Business Rates Retention Scheme.
BZ810	Self Insured Fund	136,069	0	136,069	186,069	186,069	(50,000)	Monies set aside to provide funds in order to finance any high insurance excesses that may arise.
BZ811	Computer & Telephone Equipment Reserve	177,251	0	177,251	222,905	149,751	27,500	Utilised towards ICT hardware refreshes.
BZ814	HB Equalisation Reserve	129,847	44,053	173,900	129,846	129,847	44,053	This reserve is utilised in order to smooth out the effect of variations between the amounts of Housing Benefits paid out and subsequently grant funded by DWP.
BZ818	Professional Fees Reserve	114,560	25,880	140,440	154,340	147,060	(6,620)	Utilised to fund approved projects.
BZ820	ARP Reserve	343,329	(11,500)	331,829	324,433	324,433	7,396	This reserve is used to hold any grants or new burdens funding received from the government, which will then be utilised when the monies are spent.
BZ830	Vehicle & Plant Renewal Fund	281,753	223,948	505,701	646,852	505,701	0	In line with expected spend on Vehicles, Plant & Equipment in the year, as further detailed in the Capital Programme appendix.
BZ831	Waste Management Reserve	99,003	0	99,003	99,003	99,003	0	No movement expected during 2018/19.
BZ832	BR-Building Repairs Reserve - Leisure	27,932	0	27,932	27,932	27,932	0	No movement expected during 2018/19.
BZ833	BR-Building Repairs Reserve - Other	129,726	80,000	209,726	312,074	231,917	(22,191)	The under-utilisation on this reserve has arisen as a result of the overall small forecast underspend on Building Repairs and Maintenance during 2018/19.

MTFS Earmarked Reserves Projections

2018/19 December Budget Monitoring Report

Account	Reserve Description	2018/19 Opening Balance £	2018/19 Net Budgeted Movement to / (from) Reserve £	2018/19 Budgeted Closing Balance £	2018/19 Current Balance £	2018/19 Forecast Closing Balance £	2018/19 Forecast Variance Over / (Under) Utilised £	Variance Notes (variances in brackets denote less reserve used than budgeted)
BZ834	Industrial Units - Service Charges	761	0	761	1,795	1,795	(1,034)	This is a 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.
BZ850	Commuted Maintenance Reserve	507,545	(10,810)	496,735	516,896	496,735	0	Monies set aside from developers' contributions in order to fund maintenance of play areas and open space. Expected to be on budget for 2018/19.
BZ856	Newmarket Stallion Statue Reserve	20,809	0	20,809	20,809	20,809	0	No movement expected during 2018/19.
BZ862	Communities against Drugs Reserve	30,000	0	30,000	30,000	30,000	0	No movement currently expected during 2018/19. Monies now being proposed to utilise in 2019/20 for County Lines spend.
BZ870	Planning Reserve	131,528	10,000	141,528	104,238	41,528	100,000	2018/19 additional forecast utilisation resulting from timings of Local Plan spend.
BZ872	Planning Delivery Grant	72,297	(9,500)	62,797	65,169	62,797	0	This reserve is utilised in order to part fund some of the staffing costs in Planning. Expected to be in line with the budget for 2018/19.
BZ876	S106 Monitoring Officer Reserve	22,663	(4,748)	17,915	21,551	15,553	2,362	Monies set aside in order to fund the S106 Monitoring Officer.
BZ885	Homelessness Legislation Reserve	183,380	40,448	223,828	310,419	170,100	53,728	Budget includes contributions in respect of the DCLG Flexible Homelessness Support Grant which is being utilised to support the Housing Options Team.
BZ886	S106 Revenue Reserve	152,221	0	152,221	142,821	142,821	9,400	Monies received in respect of S106 contributions.
BZ890	Election Reserve	53,091	(2,207)	50,884	70,755	58,756	(7,872)	Anticipated usage during 2018/19 in order to fund Capacity Resourcing requirements as budgeted.
Forest Heath Totals		13,726,454	(6,332,301)	7,394,153	14,480,941	14,304,994	(6,910,841)	

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Appendix L – St Edmundsbury Borough Council Financial Forecast – Revenue, Capital & Reserves

Forecast Revenue Position

The forecast revenue outturn position currently shows an **overall underspend of £25k** (0.03% of the gross budget). A summary by Assistant Director can be found in **Appendix M** with comments for variances by cost centre in **Appendix N**.

The forecast revenue underspend is comprised of a number of positive and negative variances, the most significant of which are detailed in the table below. We will continue to monitor the position closely.

Further detail on the remainder of areas is available in **Appendix N**.

St Edmundsbury Borough Council Major Forecast Variances over £50k.

2018/19 Current Forecast variance: Over / (under) £000s	SEBC Details / proposed action
	<p><u>Interest and Capital Project Financing</u></p> <p>This includes a number of different items relating to the revenue elements around Capital Financing as well as investment income.</p> <p>As business cases come forward the financing of those business cases make provision for borrowing costs (minimum revenue provision and external borrowing costs). However, actual external borrowing would only take place when the Council’s treasury management activities identify such a need. For example, this could be when the Council’s cash flow management activities anticipate that an external cash injection is required to maintain the appropriate level of cash balances for the Council to operate and fulfil its budget and service delivery requirements.</p> <p>The variance below includes assumptions around the timing of our Investing in our Growth Agenda capital fund’s overall performance, that is intended to generate a net income stream of around £200k per annum, after allowing for the cost of borrowing and the minimum revenue provision.</p> <p>As projects from this fund are confirmed the budgets will be updated accordingly, and the figures shown assume that we will utilise the monies set aside for savings in external borrowing in order to offset the timing of this fund’s performance.</p>

2018/19 Current Forecast variance: Over / (under) £000s	SEBC Details / proposed action
(52)	<p><u>Compostable Collection (Brown Bin)</u></p> <p>Anticipated brown bin income is up by 2.8%. Assumed payments to SCC and other costs are currently forecast to be down at present. The service is currently on track to achieve the budgeted break-even position by 2019/20.</p>
(54)	<p><u>Trade Waste</u></p> <p>Trade Waste income to date continues to be strong and looks positive for the rest of the year.</p> <p>Close monitoring will continue so that confidence in the figures can be maintained.</p>
260	<p><u>Off Street Car Parks</u></p> <p>Income from Car Parking is currently forecasted to be around £260k lower than the budgeted amount of £4,635k, which is in line with the income levels achieved in 2017/18. This equates to around 5.6% of the budgeted income.</p> <p>Car parking income has been on a downward path since December 2017. This is supported by recent footfall data particularly in Bury St Edmunds town centre which has seen some recovery.</p> <p>Recent car parking occupancy analysis has shown that peak time car parking transactions remain strong and seen growth in comparison to the 2015 car parking review. However mid-week occupancy has declined and is the cause of the lower than estimated income receipts. Nationally, town centres are facing a challenging and unpredictable time, and therefore it is difficult to predict with any certainty on-going trends.</p>
162	<p><u>Employees Costs</u></p> <p>The budgets for Employees costs are comprised of a number of elements, including Basic Salaries, Employers National Insurance and Pensions, reserve and other funding where appropriate, Agency Staff costs, and assumptions around vacancy management.</p>

2018/19 Current Forecast variance: Over / (under) £000s	SEBC Details / proposed action
	<p>These are monitored on a monthly basis, with particular attention given to areas such as Agency Staff spend.</p> <p>At this point in the year, spend on employees costs is expected to be broadly in line with the overall budget.</p>

Forecast Capital Programme

The Council is currently forecasting to spend **£18.9m** of its capital budget of £50.5m for 2018/19. Around £26.8m is likely to be re-profiled into 2019/20 as a result of project timings and more accurate project spend profiling.

The following table gives a high level summary of capital expenditure against budget for 2018/19. Further detail by individual capital project can be found in **Appendix O**.

Assistant Director:	2018/19 Revised Full Year Budget	2018/19 Actual Spend to Date	2018/19 Forecast Spend	2018/19 External Grant Funded	2018/19 Carried Forward	2018/19 Forecast Over / (under) Spend
	£000s	£000s	£000s	£000s	£000s	£000s
Resources & Performance	1,894	1,406	1,776	0	0	(118)
Human Resources	26	17	17	0	0	(9)
Families & Communities	96	18	31	0	0	(65)
Planning & Regulatory	2,103	581	1,393	0	522	(188)
Operations	13,369	4,096	10,155	126	3,245	0
Growth	32,969	4,052	5,511	400	23,058	(4,000)
Totals:	50,457	10,170	18,883	526	26,825	(4,380)

Forecast Earmarked Reserves

The council's balance on Earmarked Revenue Reserves at the end of the financial year is currently forecasted to be around **£21.2m**. Details of the individual reserve balances and movements during the year can be found in **Appendix P**.

Summary by Assistant Director

2018/19 December Budget Monitoring Report

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	(6,855,959)	26,636,723	(34,816,479)	(8,179,756)	25,190,804	(43,532,454)	(18,341,652)	(10,161,896)	0.34%	(23,001)
Human Resources, Legal & Democratic	1,981,440	1,906,794	(410,892)	1,495,902	1,878,707	(354,245)	1,524,461	28,559	4.16%	(82,436)
Families & Communities	2,026,622	2,483,426	(767,381)	1,716,045	2,816,927	(1,165,764)	1,651,165	(64,880)	5.42%	(109,896)
Planning & Regulatory	827,277	2,019,775	(1,399,347)	620,428	2,038,254	(1,489,166)	549,087	(71,341)	4.88%	(40,368)
Operations	754,675	23,267,880	(22,167,139)	1,100,738	23,385,696	(22,130,605)	1,255,090	154,352	34.39%	259,564
Growth	1,295,829	1,448,006	(439,045)	1,008,961	1,465,332	(511,450)	953,882	(55,079)	0.08%	(1,029)
TOTALS:	29,884	57,762,604	(60,000,283)	(2,237,682)	56,775,720	(69,183,684)	(12,407,967)	(10,170,285)		2,834
Interest & Capital Project Financing										
Interest Receivable	(318,500)	0	(238,878)	(238,878)	0	(286,772)	(286,772)	(47,894)	13.50%	(43,000)
Interest Payable	540,750	405,567	0	405,567	1,131	0	1,131	(404,436)	99.79%	(539,619)
Minimum Revenue Provision	797,750	0	0	0	242,511	0	242,511	242,511	69.60%	(555,239)
Income from Growth Projects	(1,106,850)	0	(830,178)	(830,178)	0	0	0	830,178	100.00%	1,106,850
Contributions to/(from) Reserves	56,964	42,732	0	42,732	12,688	0	12,688	(30,044)	6.38%	3,636
TOTALS:	3	58,210,903	(61,069,339)	(2,858,439)	57,032,050	(69,470,456)	(12,438,409)	(9,579,970)		(24,538)

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Detail by Assistant Director

2018/19 December Budget Monitoring Report

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 £	Forecast Variance Notes (numbers in brackets are underspends or increased income)
Resources & Performance	733,308	605,730	(53,839)	551,891	591,468	(9,919)	581,549	29,658	0.43%	(3,178)	
General Fund Adjustments	(10,483,671)	5,258,987	(16,213,601)	(10,954,614)	3,174,078	(24,091,602)	(20,917,524)	(9,962,910)	0.00%	0	
Resources & Performance:	(9,750,363)	5,864,717	(16,267,440)	(10,402,723)	3,765,546	(24,101,521)	(20,335,975)	(9,933,252)		(3,178)	
Internal Audit	129,847	103,419	(6,924)	96,495	100,336	(2,000)	98,336	1,841	0.60%	(773)	
Internal Audit:	129,847	103,419	(6,924)	96,495	100,336	(2,000)	98,336	1,841		(773)	
ICT	905,119	1,080,115	(425,427)	654,688	1,122,504	(356,779)	765,725	111,037	0.52%	4,705	
ICT:	905,119	1,080,115	(425,427)	654,688	1,122,504	(356,779)	765,725	111,037		4,705	
Anglia Revenues Partnership	1,363,908	1,030,398	(10,161)	1,020,237	1,332,428	(73,258)	1,259,170	238,933	0.00%	0	
Council Tax Administration	(238,815)	0	(179,109)	(179,109)	677	(263,376)	(262,699)	(83,590)	9.82%	(23,442)	Income from Court costs higher than budgeted.
Business Rate Administration	(167,045)	0	(125,280)	(125,280)	13,210	(174,352)	(161,142)	(35,862)	2.15%	3,597	
Housing Benefits	(296,601)	17,085,551	(17,306,667)	(221,116)	17,644,110	(18,324,921)	(680,812)	(459,696)	0.00%	0	
Anglia Revenues Partnership:	661,447	18,115,949	(17,621,217)	494,732	18,990,425	(18,835,907)	154,517	(340,215)		(19,845)	
Corporate Expenditure	987,692	1,289,433	(489,441)	799,992	1,059,410	(232,440)	826,970	26,978	0.70%	(6,878)	
Non-Distributed Costs	136,959	105,750	(3,033)	102,717	74,680	(3,807)	70,872	(31,845)	1.76%	2,405	
Non-Distributed Costs - Cost of Unused Assets	43,070	47,070	(2,997)	44,073	47,070	0	47,070	2,997	0.00%	0	
Corporate Expenditure:	1,167,721	1,442,253	(495,471)	946,782	1,181,160	(236,247)	944,912	(1,870)		(4,473)	
Emergency Planning	30,270	30,270	0	30,270	30,833	0	30,833	563	1.86%	563	
Emergency Planning:	30,270	30,270	0	30,270	30,833	0	30,833	563		563	
TOTALS: RESOURCES & PERFORMANCE	(6,855,959)	26,636,723	(34,816,479)	(8,179,756)	25,190,804	(43,532,454)	(18,341,652)	(10,161,896)		(23,001)	

Detail by Assistant Director

2018/19 December Budget Monitoring Report

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 £	Forecast Variance Notes
Human Resources & Payroll	573,696	518,166	(89,352)	428,814	480,747	(119,550)	361,197	(67,617)	11.27%	(64,668)	Corporate Agency Budget unlikely to be spent in full.
Human Resources:	573,696	518,166	(89,352)	428,814	480,747	(119,550)	361,197	(67,617)		(64,668)	
Health & Safety	105,945	90,087	(9,171)	80,916	91,707	(3,809)	87,897	6,981	6.49%	6,871	
Health & Safety:	105,945	90,087	(9,171)	80,916	91,707	(3,809)	87,897	6,981		6,871	
Central Training Services	171,273	170,689	(42,471)	128,218	96,512	(8,721)	87,791	(40,427)	13.27%	(22,722)	
Learning & Development:	171,273	170,689	(42,471)	128,218	96,512	(8,721)	87,791	(40,427)		(22,722)	
Legal Services	253,777	422,004	(229,506)	192,498	414,612	(184,961)	229,651	37,153	7.12%	(18,058)	Underspend on Staffing Costs, mainly arising from vacant posts and additional BMS income.
Legal Services:	253,777	422,004	(229,506)	192,498	414,612	(184,961)	229,651	37,153		(18,058)	
Democratic Services	206,981	175,902	(19,503)	156,399	181,573	(12,801)	168,773	12,374	0.53%	1,093	
Members Allowances & Expenses	363,280	276,375	0	276,375	287,613	(212)	287,401	11,026	2.32%	8,430	
Mayoralty & Civic Functions	88,938	73,002	(3,888)	69,114	74,787	(6,074)	68,712	(402)	0.87%	777	
Democratic Services:	659,199	525,279	(23,391)	501,888	543,973	(19,087)	524,886	22,998		10,300	
Electoral Registration	185,414	148,435	(17,001)	131,434	212,927	(18,117)	194,810	63,376	4.30%	7,977	Additional costs expected on Postage & Staffing.
Election Expenses	32,136	32,134	0	32,134	38,229	0	38,229	6,095	6.65%	(2,136)	
Elections:	217,550	180,569	(17,001)	163,568	251,156	(18,117)	233,039	69,471		5,841	
TOTALS: HR & DEMOCRATIC SERVICES	1,981,440	1,906,794	(410,892)	1,495,902	1,878,707	(354,245)	1,524,461	28,559		(82,436)	

Detail by Assistant Director

2018/19 December Budget Monitoring Report

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 £	Forecast Variance Notes
Policy	219,614	215,052	(45,900)	169,152	262,817	(114,173)	148,644	(20,508)	11.34%	(24,908)	Underspend on staffing costs, mainly arising from reduced working hours.
Policy:	219,614	215,052	(45,900)	169,152	262,817	(114,173)	148,644	(20,508)		(24,908)	
Communications	136,243	120,352	(16,560)	103,792	112,432	(5,861)	106,571	2,779	2.68%	3,654	
Website and Intranet	38,848	32,178	0	32,178	20,633	0	20,633	(11,545)	0.68%	(266)	
Communications:	175,091	152,530	(16,560)	135,970	133,065	(5,861)	127,204	(8,766)		3,388	
Customer Services	580,851	447,939	0	447,939	431,975	0	431,975	(15,964)	2.50%	(14,543)	
Customer Services:	580,851	447,939	0	447,939	431,975	0	431,975	(15,964)		(14,543)	
Families & Communities	327,462	254,698	(7,506)	247,192	241,637	(24,531)	217,107	(30,085)	1.70%	(5,572)	
Community Chest - Families & Communities	216,483	445,341	(228,858)	216,483	316,074	(106,103)	209,971	(6,512)	0.00%	0	
Health, Culture & Arts	0	0	0	0	93	0	93	93	0.00%	0	
LifeLink Project	368	68,808	(68,661)	147	46,830	(46,830)	0	(147)	100.00%	(368)	
Community Centres	23,372	26,560	(5,616)	20,944	26,903	(2,658)	24,245	3,301	9.80%	(2,290)	
Families & Communities:	567,685	795,407	(310,641)	484,766	631,537	(180,122)	451,416	(33,350)		(8,230)	
Housing Options: Choice Based Lettings	50,121	109,277	(30,180)	79,097	116,919	(21,731)	95,188	16,091	0.73%	(367)	
Housing Options: Advice & Prevention	304,396	551,392	(286,988)	264,404	705,842	(443,102)	262,741	(1,663)	1.59%	(4,831)	
Housing Options: Solutions	68,455	157,610	(68,056)	89,554	214,546	(80,549)	133,997	44,443	0.01%	4	
Housing Options: Severe Weather Emergency Provision (SWEP)	60,000	45,000	0	45,000	0	0	0	(45,000)	100.00%	(60,000)	Funding provided from an external source as a one off for this financial year. Funding will remain in the base budget for future years.
Housing Options: Outreach Services	409	9,219	(9,056)	163	320,226	(320,226)	0	(163)	100.00%	(409)	
Housing Options:	483,381	872,498	(394,280)	478,218	1,357,533	(865,608)	491,926	13,708		(65,603)	
TOTALS: FAMILIES & COMMUNITIES	2,026,622	2,483,426	(767,381)	1,716,045	2,816,927	(1,165,764)	1,651,165	(64,880)		(109,896)	

Detail by Assistant Director

2018/19 December Budget Monitoring Report

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 £	Forecast Variance Notes
Development Control	(27,128)	725,575	(741,825)	(16,250)	742,685	(821,597)	(78,912)	(62,662)	353.38%	(95,864)	income expected to exceed budget due to several major developments in the first half of the financial year.
Development Control:	(27,128)	725,575	(741,825)	(16,250)	742,685	(821,597)	(78,912)	(62,662)	4	(95,864)	
Land Charges	(100,729)	57,607	(145,504)	(87,897)	41,212	(132,354)	(91,142)	(3,245)	0.87%	(875)	
Building Control	41,727	194,472	(160,875)	33,597	205,468	(168,211)	37,257	3,660	23.50%	9,804	Additional Post approved partly offset by higher than anticipated income.
Planning & Regulatory Support	340,497	257,762	0	257,762	262,800	0	262,800	5,038	1.11%	3,776	
Business (BC & Support):	281,495	509,841	(306,379)	203,462	509,480	(300,565)	208,915	5,453		12,705	
Prevention of Pollution	49,082	46,301	(11,502)	34,799	47,534	(12,637)	34,897	98	11.10%	5,449	
Environmental Management	(50,577)	51,836	(89,253)	(37,417)	44,606	(50,993)	(6,387)	31,030	76.67%	38,775	Loss of Solar for Business income due to lower capital spend than anticipated in previous years.
Drinking Water Quality	34,903	33,513	(7,416)	26,097	32,278	(7,725)	24,553	(1,544)	14.95%	(5,219)	
Climate Change	36,771	31,154	0	31,154	35,860	(5,641)	30,218	(936)	1.64%	(603)	
Home Energy Conservation	3,000	2,250	0	2,250	(1,267)	0	(1,267)	(3,517)	95.70%	(2,871)	
Environment:	73,179	165,054	(108,171)	56,883	159,011	(76,996)	82,014	25,131		35,531	
Licensing	13,599	144,616	(141,101)	3,515	143,063	(127,352)	15,711	12,196	82.34%	11,198	
Hackney Carriage & Private Hire Licensing	(70,122)	28,283	(82,377)	(54,094)	28,495	(127,565)	(99,070)	(44,976)	23.08%	(16,183)	
Food Safety	97,230	93,280	(15,300)	77,980	99,537	(18,530)	81,007	3,027	8.46%	8,221	
Health & Safety at Work Act/Enforcement	94,968	72,368	0	72,368	75,717	(60)	75,657	3,289	5.80%	5,504	
Business Reg & Licensing:	135,675	338,547	(238,778)	99,769	346,812	(273,507)	73,305	(26,464)		8,740	
Housing Renewals	132,515	101,209	(477)	100,732	101,549	(330)	101,219	487	1.97%	2,611	
Burial of the Dead	16,540	12,459	(72)	12,387	13,409	(61)	13,348	961	12.15%	2,010	
Other Public Health Services	215,001	167,090	(3,645)	163,445	165,308	(16,110)	149,198	(14,247)	2.84%	(6,101)	
Public Health & Housing:	364,056	280,758	(4,194)	276,564	280,266	(16,501)	263,765	(12,799)		(1,480)	
TOTALS: PLANNING & GROWTH	827,277	2,019,775	(1,399,347)	620,428	2,038,254	(1,489,166)	549,087	(71,341)		(40,368)	

Detail by Assistant Director

2018/19 December Budget Monitoring Report

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 £	Forecast Variance Notes
Vehicle Workshop	(62,329)	517,662	(683,232)	(165,570)	529,506	(683,619)	(154,113)	11,457	7.35%	(4,582)	
Pool Cars	5,106	18,669	(18,921)	(252)	14,899	(19,238)	(4,339)	(4,087)	1.80%	(92)	
Vehicle Workshop Trading Account - FHDC	0	333,148	(305,883)	27,265	385,412	(363,357)	22,054	(5,211)	0.00%	0	
Fleet Management:	(57,223)	869,479	(1,008,036)	(138,557)	929,817	(1,066,214)	(136,398)	2,159		(4,674)	
Depots	(158,992)	417,292	(625,838)	(208,546)	397,332	(592,255)	(194,923)	13,623	6.80%	10,811	Overspend mainly arising from Staff Costs.
Grounds Maintenance Operatives	(157,877)	1,055,807	(1,451,204)	(395,398)	1,124,599	(1,544,663)	(420,064)	(24,666)	1.57%	2,479	
Tree Maintenance Operatives	(238)	145,775	(177,695)	(31,920)	153,833	(155,110)	(1,277)	30,643	223.95%	(533)	
Waste & Cleansing Operatives	(410,674)	3,672,545	(4,967,069)	(1,294,524)	3,817,473	(5,038,973)	(1,221,500)	73,024	2.04%	8,371	
Markets	(88,544)	287,622	(296,622)	(9,000)	243,968	(265,551)	(21,583)	(12,583)	6.57%	5,815	
Operational:	(816,325)	5,579,041	(7,518,428)	(1,939,388)	5,737,205	(7,596,552)	(1,859,347)	80,041		26,943	
Street Cleansing	1,492,899	1,542,732	(28,125)	1,514,607	1,571,882	(41,922)	1,529,960	15,353	1.21%	18,138	Overspend mainly arising from Staff Costs.
Refuse Collection (Black Bin)	1,143,094	1,188,088	(50,178)	1,137,910	1,220,492	(27,347)	1,193,145	55,235	1.45%	16,531	
Recycling Collection (Blue Bin)	675,619	1,050,467	(265,240)	785,227	1,077,567	(156,816)	920,751	135,524	19.19%	129,665	Recycling credits currently expected to fall short of budget. To be monitored closely in the coming months.
Compostable Collection (Brown Bin)	33,904	996,949	(1,037,315)	(40,366)	681,045	(1,028,875)	(347,829)	(307,463)	153.13%	(51,917)	Anticipated brown bin income is up by 2.8%. Assumed payments to SCC and other costs are currently forecast to be down at present. The service is currently on track to achieve the budgeted break-even position by 2019/20.
Bulky, Fridges, Metal & Scrap Collection	119,966	157,127	(30,753)	126,374	158,535	(29,181)	129,354	2,980	0.91%	1,096	
Clinical & Hazardous Waste Collection	13,842	20,336	(7,175)	13,161	16,924	(5,413)	11,511	(1,650)	0.04%	5	
Multi-Bank Recycling Sites	(23,703)	59,622	(83,920)	(24,298)	48,559	(87,016)	(38,456)	(14,158)	85.89%	(20,358)	
Trade Waste	(389,573)	1,046,121	(1,601,567)	(555,446)	1,172,770	(1,892,978)	(720,208)	(164,762)	13.98%	(54,473)	Income currently expected to be higher than budgeted.
Waste - Business & Commercial	3,066,048	6,061,442	(3,104,273)	2,957,169	5,947,774	(3,269,548)	2,678,228	(278,941)		38,687	
Non-HRA Housing Properties	1,091	1,091	0	1,091	21,810	(13,558)	8,252	7,161	65.44%	714	
Property Services	567,655	446,183	(7,020)	439,163	448,632	(10,379)	438,252	(911)	3.66%	20,780	Overspend mainly arising from Staff Costs.
Property Maintenance:	568,746	447,274	(7,020)	440,254	470,442	(23,937)	446,504	6,250		21,494	

Detail by Assistant Director

2018/19 December Budget Monitoring Report

ASSISTANT DIRECTOR - OPERATIONS (CONTINUED)

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 £	Forecast Variance Notes
Industrial & Business Units	(2,021,420)	323,364	(1,788,884)	(1,465,520)	286,515	(1,804,048)	(1,517,533)	(52,013)	1.09%	(21,988)	
Town Centres & Shops	(934,063)	189,469	(868,062)	(678,593)	102,851	(803,470)	(700,619)	(22,026)	1.79%	(16,742)	Income from Shop Rents currently expected to exceed budget.
Property Management:	(2,955,483)	512,833	(2,656,946)	(2,144,113)	389,366	(2,607,518)	(2,218,152)	(74,039)		(38,730)	
Offices: West Suffolk House	(148,077)	834,658	(822,735)	11,923	926,553	(646,162)	280,391	268,468	4.08%	6,047	
Offices: Haverhill House	(46,950)	232,088	(231,544)	544	127,822	(194,989)	(67,168)	(67,712)	38.73%	18,182	
Public Conveniences	143,044	133,461	(23,994)	109,467	114,213	(9,804)	104,408	(5,059)	2.17%	(3,104)	
CCTV	168,340	315,288	(200,268)	115,020	369,904	(14,137)	355,767	240,747	6.47%	10,891	
Green Travel Plan	(2,170)	58,450	(39,944)	18,506	28,412	(16,963)	11,449	(7,057)	171.57%	(3,723)	
Street Banners & Displays	(23)	6,480	(5,292)	1,188	10,415	(2,923)	7,492	6,304	25143.48%	5,783	
District Highways Services	420,234	458,214	(5,976)	452,238	445,768	(41,702)	404,066	(48,172)	4.27%	(17,935)	
Street Furniture	51,485	38,978	(117)	38,861	22,186	66	22,252	(16,609)	14.78%	(7,608)	
Street Drainage & Associated Works	7,459	7,253	(783)	6,470	3,630	0	3,630	(2,840)	33.65%	(2,510)	
Bus Station	80,289	118,108	(42,750)	75,358	91,449	(15,196)	76,253	895	2.55%	2,044	
Facilities, CCTV & Highways Services:	673,631	2,202,978	(1,373,403)	829,575	2,140,352	(941,810)	1,198,540	368,965		8,067	
Courier & Postal Service	116,870	191,961	(70,500)	121,461	186,451	4,800	191,251	69,790	0.41%	483	
Printing & Copying Service	46,071	70,173	(29,375)	40,798	46,361	(26,749)	19,612	(21,186)	20.66%	(9,519)	
Central Services:	162,941	262,134	(99,875)	162,259	232,812	(21,949)	210,863	48,604		(9,036)	
Off Street Car Parks	(3,156,257)	1,451,318	(3,594,033)	(2,142,716)	1,467,871	(3,518,996)	(2,051,125)	91,591	8.24%	260,102	Car park income currently expected to fall short of budgeted levels
On Street Car Parking	(129,497)	565,116	(662,697)	(97,581)	609,577	(614,531)	(4,954)	92,627	0.00%	0	
Car Parking:	(3,285,754)	2,016,434	(4,256,730)	(2,240,297)	2,077,448	(4,133,527)	(2,056,079)	184,218		260,102	

Detail by Assistant Director

2018/19 December Budget Monitoring Report

ASSISTANT DIRECTOR - OPERATIONS (CONTINUED)

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 £	Forecast Variance Notes
Arboriculture (Tree Maintenance Works)	191,012	194,774	0	194,774	187,522	(627)	186,895	(7,879)	0.94%	1,805	
Other Parks and Play Provision	526,162	739,226	(134,398)	604,828	806,412	(232,004)	574,408	(30,420)	0.84%	4,430	
Abbey Gardens	279,428	271,937	(66,525)	205,412	256,477	(86,218)	170,258	(35,154)	1.38%	(3,852)	
Nowton Park	82,569	162,445	(91,494)	70,951	167,782	(113,259)	54,523	(16,428)	4.48%	(3,698)	
East Town Park	98,121	92,054	(14,544)	77,510	96,099	(22,118)	73,982	(3,528)	1.69%	(1,660)	
Clare Country Park	593	22,270	(11,993)	10,277	22,269	(12,219)	10,050	(227)	142.66%	846	
Children's Play Areas	103,953	89,256	0	89,256	92,377	(150)	92,227	2,971	1.30%	(1,352)	
Cemeteries & Closed Churchyards	254,737	353,916	(97,326)	256,590	351,688	(113,351)	238,338	(18,252)	0.98%	(2,500)	
Allotments	(476)	700	(1,176)	(476)	860	(1,102)	(242)	234	49.16%	234	
Parks & Open Spaces:	1,536,099	1,926,578	(417,456)	1,509,122	1,981,486	(581,048)	1,400,439	(108,683)		(5,747)	
Sports & Leisure Centres	420,371	500,343	(76,581)	423,762	456,816	(40,906)	415,910	(7,852)	3.46%	(14,531)	
Leisure & Sports	39,070	60,520	(31,216)	29,304	56,872	(35,902)	20,970	(8,334)	0.00%	0	
Sports & Leisure Development	459,441	560,863	(107,797)	453,066	513,688	(76,808)	436,880	(16,186)		(14,531)	
Arts, Heritage & Cultural Services	87,939	79,150	0	79,150	87,159	(6,609)	80,550	1,400	0.07%	(59)	
Moyse's Hall Museum	257,695	265,202	(59,427)	205,775	316,254	(105,197)	211,057	5,282	1.22%	3,155	
West Stow Country Park	135,582	323,503	(228,700)	94,803	341,359	(241,378)	99,981	5,178	0.56%	761	
West Stow ASVT Operating Account	0	1,030	(774)	256	0	(2,498)	(2,498)	(2,754)	0.00%	(1,634)	
Heritage Sites & Monuments	5,558	15,305	(9,747)	5,558	7,222	(1,658)	5,564	6	0.11%	6	
West Front Houses	50,367	79,197	(28,830)	50,367	55,629	(6,479)	49,150	(1,217)	2.42%	(1,217)	
Heritage	537,141	763,387	(327,478)	435,909	807,623	(363,819)	443,804	7,895		1,012	
Leisure Promotion	152,867	114,462	0	114,462	125,507	(8,872)	116,636	2,174	4.79%	(7,322)	
The Apex	452,510	1,498,147	(1,072,203)	425,944	1,621,956	(1,252,934)	369,022	(56,922)	4.25%	(19,238)	
The Athenaeum	45,423	132,080	(81,218)	50,861	120,021	(66,076)	53,945	3,084	12.50%	5,680	
The Guildhall, Bury St Edmunds	49,082	51,175	(3,753)	47,422	43,939	(3,780)	40,159	(7,263)	3.39%	(1,665)	
Tourist Information Centres	77,068	70,841	(9,090)	61,751	64,378	(7,409)	56,968	(4,783)	3.84%	(2,963)	
Shopmobility	34,075	33,516	(6,147)	27,369	24,690	(1,485)	23,205	(4,164)	7.53%	(2,566)	
Bury Festival	54,388	165,216	(117,286)	47,930	157,192	(107,319)	49,873	1,943	7.45%	4,051	
Halls & Events	865,413	2,065,437	(1,289,697)	775,739	2,157,683	(1,447,875)	709,808	(65,931)		(24,023)	
TOTALS: OPERATIONS	754,675	23,267,880	(22,167,139)	1,100,738	23,385,696	(22,130,605)	1,255,090	154,352		259,564	

Detail by Assistant Director

2018/19 December Budget Monitoring Report

ASSISTANT DIRECTOR - GROWTH

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 £	Forecast Variance Notes
Housing Development & Strategy	163,883	176,807	(51,381)	125,426	188,011	(40,804)	147,207	21,781	9.49%	15,545	Lower income on Barley Homes than previously anticipated.
Gypsies & Travellers	25,193	19,734	(72)	19,662	14,803	(55)	14,748	(4,914)	0.70%	176	
Housing Development & Strategy:	189,076	196,541	(51,453)	145,088	202,814	(40,859)	161,955	16,867		15,721	
Strategic Property	76,130	126,383	(69,568)	56,815	109,542	(55,150)	54,392	(2,423)	17.84%	13,579	Expected pressure due to currently being unable to Capitalise salaries due to timing of Capital Projects. Partly offset by vacancies in the team.
Strategic Property	76,130	126,383	(69,568)	56,815	109,542	(55,150)	54,392	(2,423)		13,579	
Housing Business & Partnerships:	0	0	0	0	0	0	0	0	0	0	
Planning Policy	608,274	546,291	(58,698)	487,593	513,863	(59,190)	454,673	(32,920)	3.94%	(23,944)	Vacancies in the service area along with full funding of S106 monitoring post resulting in forecast underspend.
Local Plan	4,500	25,875	(22,500)	3,375	2,422	(116)	2,306	(1,069)	48.76%	(2,194)	
Place Shaping:	612,774	572,166	(81,198)	490,968	516,285	(59,306)	456,979	(33,989)		(26,138)	
Economic Development & Growth	390,347	375,442	(80,865)	294,577	350,079	(84,967)	265,112	(29,465)	1.41%	(5,522)	Staffing costs currently forecast to be lower than budgeted.
Strategic Tourism & Markets	39,020	35,302	(6,102)	29,200	42,483	(14,147)	28,336	(864)	6.02%	2,348	
Bury Christmas Fayre	(11,518)	142,172	(149,859)	(7,687)	227,086	(234,263)	(7,177)	510	21.13%	(2,434)	
Park & Ride	0	0	0	0	17,043	(22,758)	(5,715)	(5,715)	0	1,417	
Economic Development & Growth:	417,849	552,916	(236,826)	316,090	636,691	(356,135)	280,556	(35,534)		(4,191)	
TOTALS: GROWTH:	1,295,829	1,448,006	(439,045)	1,008,961	1,465,332	(511,450)	953,882	(55,079)		(1,029)	

2018/19 December Capital Budget Monitoring Report

Project Description	Revised Budget for Year £	Actual Spend Year to Date £	2018-19 Forecast Actual Spend £	2018-19 Funded from External Grants £	2018-19 Carry Forward Requested £	Over/ (Under) Spend for Year £	Notes	Total Project Budget 2017-2022 £
Resource & Performance								
Invest to Save Projects	118,328	0	0	0	0	(118,328)	Budget to be allocated to appropriate projects as they arise.	118,328
Leisure Capital Investment Fund	1,525,984	1,307,144	1,525,984	0	0	0	Project relates to Haverhill Leisure Centre, expecting full spend in 2018/19.	1,525,984
SEBC - Single Council	250,000	98,383	250,000	0	0	0	This project supports the implementation of the Single Council Business Case, and is funded from the Flexible Use of Capital Receipts. Full spend expected in 2018/19.	250,000
Human Resources, Legal & Democratic								
Health & Safety Management System	26,000	16,994	16,994	0	0	(9,006)	Project spend now completed. Underspend to be retained in the Invest to Save Reserve in line with the original funding.	26,000
Families & Communities								
Customer Access Project	64,558	0	0	0	0	(64,558)	Project scoping under review	64,558
Rural Initiatives Grant Scheme (RIGS)	31,490	18,373	31,490	0	0	0	Grant scheme expected to be fully utilised in 2018/19.	67,500
Planning & Regulatory								
Private Sector Disabled Facilities Grants	589,819	334,310	497,189	0	92,630	(0)	External grant funded. Currently expecting an underspend in 2018/19. Request to carry the balance forward into 2019/20.	1,875,000
Private Sector Renewal Grants	312,787	79,001	125,165	0	0	(187,622)	The service is currently reviewing the likely demand for these grants.	1,277,966
Empty Homes Grants to Private Owners	71,000	0	71,000	0	0	0	Currently expecting to spend in full for 2018/19.	71,000
West Stow Renewable Energy	250,000	746	250,000	0	0	0	Project linked to the Community Energy Plan as detailed below.	120,000

2018/19 December Capital Budget Monitoring Report

Project Description	Revised Budget for Year £	Actual Spend Year to Date £	2018-19 Forecast Actual Spend £	2018-19 Funded from External Grants £	2018-19 Carry Forward Requested £	Over/ (Under) Spend for Year £	Notes	Total Project Budget 2017-2022 £
Community Energy Plan	879,442	166,718	450,000	0	429,442	0	Spend on this project primarily relates to the "Rent a Roof" scheme. The service is currently formulating a development plan for this project which will inform the likely spend going forward, and any associated revenue implications.	1,118,851
Operations								
Leisure Asset Management Scheme	21,523	0	21,523	0	0	(0)	To be allocated to Leisure projects as they arise.	1,416,077
Community Sports Facility - Moreton Hall	1,552,500	0	1,552,500	0	0	0	The project partners are currently finalising the legal details with a view to transferring the sum in 2018/19.	1,552,500
Vehicle & Plant Purchases	1,091,324	490,339	1,091,324	0	0	0	Based on the Vehicle Replacement Programme, and expected to be fully utilised in 2018/19.	4,779,945
Lark Valley Path	27,000	30,000	27,000	0	0	0	Project completed in quarter 3 of 2018/19.	27,000
Bury Leisure Centre - All Weather Pitch	150,000	0	0	0	150,000	0	Spend on this project is now expected to be in 2019/20.	150,000
Waste & Street Scene Back Office System	64,540	2,945	64,540	0	0	0	Project carried forward from 2017/18. Relates to the implementation of the BARTEC system.	75,020
Bury St Edmunds, Parkway Multi-Storey Car Park structural works	190,900	0	0	0	190,900	0	Project not likely to commence in 2018/19, carry forward requested.	190,900
Street Lighting Renewals	453,891	0	453,891	0	0	0	Project carried forward from 2017/18. Currently awaiting the final project sum and invoicing.	677,709
Bury Sports Club Project	100,000	0	0	0	100,000	0	No anticipated spend in 2018/19. Currently under review as part of the 2019/20 Budget Setting process.	150,000
Parish Council S106 Grants	45,801	109,152	76,484	76,484	0	0	These projects are funded from S106 contributions and are allocated as and when they are received.	124,187
West Suffolk Operational Hub	9,194,482	3,278,222	6,540,704	0	2,653,778	0	Project underway, current expected spend as advised by the Project Architects.	13,758,000
Leisure: Severn Road Play Park	11,219	11,219	11,219	0	0	0	Project carried forward from 2018/19. Works completed.	60,000

2018/19 December Capital Budget Monitoring Report

Project Description	Revised Budget for Year £	Actual Spend Year to Date £	2018-19 Forecast Actual Spend £	2018-19 Funded from External Grants £	2018-19 Carry Forward Requested £	Over/ (Under) Spend for Year £	Notes	Total Project Budget 2017-2022 £
Leisure: Oakes Road Play Park	10,103	10,103	10,103	0	0	0	Project carried forward from 2018/19. Works completed.	60,000
Leisure: Bedell Close Play Area	6,099	6,099	6,099	0	0	0	Project carried forward from 2018/19. Works completed. Small overspend to be funded from the Leisure Building Maintenance Reserve in line with the original project.	30,000
Leisure: Abbey Gardens Replacement Retail Facility	70,000	974	70,000	0	0	0	Project plans are currently being drawn up, and the spend on this project is expected to be in quarter 4 of 2018/19.	70,000
Leisure: Nowton Park Electronic Automated Gate	6,202	6,202	6,202	0	0	0	Spend in 2018/19 represents the balance of this project, funded from the Leisure Asset Management Scheme.	0
Leisure: Fenway Play Area, Bury St Edmunds	50,846	50,846	50,846	0	0	0	This project has been completed in 2018/19.	55,000
Leisure: Strasbourg Square Play Area, Haverhill	52,124	52,124	52,124	0	0	0	This project has been completed in 2018/19.	55,000
Leisure: York Road, Haverhill	47,502	47,502	47,502	0	0	0	This project has been completed in 2018/19.	50,000
Abbey Gardens Extension: Eastgate Nursery	200,000	0	50,000	50,000	150,000	0	The programme of works is currently being drawn up. The funding for this project is a mixture of the Leisure Asset Management Scheme (£150k) and S106 funding (£50k).	250,000
Railway Walk Haverhill - Access Improvements	23,000	0	23,000	0	0	0	Project expected to be complete in Q4	250,000
Growth								
High Street Haverhill Improvements	693,000	0	0	0	693,000	0	No confirmed spend on this project at present. Under review as part of the 2019/20 Budget Setting Process.	693,000
Gypsy and traveller site	572,657	15,627	572,657	0	0	0	This project relates to Kelly's Meadow, full spend expected in 2018/19.	587,000
Barley Homes	1,678,250	202,500	821,250	0	857,000	0	The Barley Homes revised business plan is currently under development, with a view to presenting a revised profile of the agreed loan facility	2,975,000
Loan Facility: Suffolk Business Park	4,000,000	0	0	0	0	(4,000,000)	Not likely to be required in 2018/19. Requirement under review as part of the 2019/20 Budget Setting process.	0

2018/19 December Capital Budget Monitoring Report

Project Description	Revised Budget for Year £	Actual Spend Year to Date £	2018-19 Forecast Actual Spend £	2018-19 Funded from External Grants £	2018-19 Carry Forward Requested £	Over/ (Under) Spend for Year £	Notes	Total Project Budget 2017-2022 £
Investing in our Growth Agenda	15,209,812	0	0	0	15,209,812	0	To be allocated to appropriate Growth project as they arise	20,000,000
Renovation of 17/18 Cornhill, Bury St Edmunds	6,720,000	145,748	422,217	0	6,297,783	0	The majority of the works are expected to commence in 2019/20. £2.835m of this project is funded from the "Investing in our Growth Agenda" project, the remainder being from Capital Receipts and other related Sales.	6,720,000
Purchase of 20 High Street, Haverhill (Growth Agenda)	1,955,188	1,955,188	1,955,188	0	0	0	Purchase completed. Forms part of the £20m "Investing in our Growth Agenda" Project.	1,952,920
Warehouse - Beetons Way	1,740,000	1,731,264	1,740,000	0	0	0	Purchase completed.	1,740,000
21-27 Hollands Road, Haverhill - extension	400,000	1,602	0	400,000	0	0	Funded from the Asda S106 monies.	400,000
TOTALS:	50,457,370	10,169,325	18,884,195	526,484	26,824,345	(4,379,513)		67,574,445

MTFS Earmarked Reserves Projections

2018/19 December Budget Monitoring Report

Account	Reserve Description	2018/19 Opening Balance £	2018/19 Net Budgeted Movement to / (from) Reserve £	2018/19 Budgeted Closing Balance £	2018/19 Current Balance £	2018/19 Forecast Closing Balance £	2018/19 Forecast Variance Over / (Under) Utilised £	Variance Notes (variances in brackets denote less reserve used than budgeted)
BZ896	Investing in our Growth Agenda Reserve	970,000	(281,984)	688,016	927,972	875,785	(187,769)	This reserve has been set up to support the delivery of the council's growth agenda. Reports CAB/FH/17/018 and COU/FH/17/004 refer. Utilisation in 2018/19 relates to Capacity Resourcing Funding, whilst the forecast under-utilisation is mainly down to recruitment timings.
BZ897	Capital Project Financing Reserve	117,458	0	117,458	117,458	117,458	0	This Reserve was 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.
BZ803	Strategic Priorities & MTFS Reserve	4,531,995	(3,316,742)	1,215,253	4,875,383	2,054,484	(839,231)	Budgeted Reserve movement includes £2.8m Capital Programme Funding for 2018/19. The under-utilisation mainly relates to a projected underspend on the Community Energy Plan Project, as further detailed in the Capital Programme Appendix.
BZ804	Invest to Save Reserve	2,698,227	(174,885)	2,523,342	2,660,679	2,553,062	(29,720)	Budgeted utilisation during 2018/19 includes funding for the Waste & Street Scene Back Office System Capital Project. The forecast under-utilisation relates to Staffing Resources currently being funded in the overall budget position.
BZ808	Risk/Recession Reserve	467,786	0	467,786	467,786	467,786	0	Monies set aside to provide against possible future financial risks arising, for example shortfalls in income levels and interest rates, reductions in Government grant funding and the like. Currently expected to be in line with Budget.
BZ809	BRR Equalisation Reserve	2,138,718	506,714	2,645,432	1,570,546	4,383,446	(1,738,014)	This reserve is intended to neutralise the impact of any fluctuations in growth or reductions in Business Rates Income under the Business Rates Retention Scheme.

MTFS Earmarked Reserves Projections

2018/19 December Budget Monitoring Report

Account	Reserve Description	2018/19 Opening Balance £	2018/19 Net Budgeted Movement to / (from) Reserve £	2018/19 Budgeted Closing Balance £	2018/19 Current Balance £	2018/19 Forecast Closing Balance £	2018/19 Forecast Variance Over / (Under) Utilised £	Variance Notes (variances in brackets denote less reserve used than budgeted)
BZ810	Self Insured Fund	231,739	0	231,739	281,739	241,739	(10,000)	Monies set aside to provide funds in order to finance any high insurance excesses that may arise. Currently expected to be in line with the Budget.
BZ811	Computer & Telephone Equipment Reserve	253,756	8,000	261,756	293,675	204,256	57,500	Utilised towards ICT hardware refreshes.
BZ812	Office Equipment Reserve	422,953	34,150	457,103	457,103	457,103	0	No utilisation expected during 2018/19.
BZ813	Section 106 - Public Service Village	78,477	14,348	92,825	78,477	78,477	14,348	Monies received as part of the Green Travel Plan.
BZ814	HB Equalisation Reserve	615,594	125,013	740,607	615,594	581,372	159,235	This reserve is utilised in order to smooth out the effect of variations between the amounts of Housing Benefits paid out and subsequently grant funded by DWP.
BZ816	Interest Equalisation Reserve	359,630	0	359,630	359,630	359,630	0	No movement expected during 2018/19.
BZ818	Professional Fees Reserve	216,522	48,070	264,592	284,472	269,622	(5,030)	Funding approved projects
BZ820	ARP Reserve	491,538	(11,500)	480,038	459,926	459,926	20,112	This reserve is used to hold any grants or new burdens funding received from the government, which will then be utilised when the monies are spent.
BZ830	Vehicle & Plant Renewal Fund	1,607,925	(541,324)	1,066,601	2,157,925	1,066,601	0	In line with expected spend on Vehicles, Plant & Equipment in the year, as further detailed in the Capital Programme appendix.
BZ831	Waste Management Reserve	400,716	(13,100)	387,616	481,066	387,616	0	Budgeted usage in order to fund Wheeled Bin Purchases.
BZ832	BR-Building Repairs Reserve - Leisure	474,058	(339,618)	134,440	783,058	457,440	(323,000)	Budgeted Reserve movement includes £480k Capital Programme Funding for 2018/19. The under-utilisation of £300k mainly relates to Capital Project underspend requested to be carried forward into 2018/19, of which £150k relates to the Bury St Edmunds Leisure Centre All-weather pitch which is now likely to complete in 2019/20, plus a further £150k in respect of the Abbey Gardens Eastgate Nursery Extension.

MTFS Earmarked Reserves Projections

2018/19 December Budget Monitoring Report

Account	Reserve Description	2018/19 Opening Balance £	2018/19 Net Budgeted Movement to / (from) Reserve £	2018/19 Budgeted Closing Balance £	2018/19 Current Balance £	2018/19 Forecast Closing Balance £	2018/19 Forecast Variance Over / (Under) Utilised £	Variance Notes (variances in brackets denote less reserve used than budgeted)
BZ833	BR-Building Repairs Reserve - Other	2,053,064	(305,201)	1,747,863	2,254,555	1,939,412	(191,549)	The under-utilisation on this reserve has arisen as a result of the overall forecast underspend on Building Repairs and Maintenance during 2018/19.
BZ834	Industrial Units - Service Charges	55,765	0	55,765	55,765	55,765	0	This is a new reserve which has been set up to hold Service Charge income from Industrial Tenants in order to fund agreed works.
BZ835	BR-Leased Flats Management	33,957	0	33,957	33,957	33,957	0	No movement expected during 2018/19.
BZ839	Industrial Rent Reserve	755,000	(110,000)	645,000	645,000	645,000	0	Expected to be on budget for 2018/19.
BZ850	Commuted Maintenance Reserve	439,950	(92,700)	347,250	460,829	347,250	0	Monies set aside from developers' contributions in order to fund maintenance of play areas and open space. Expected to be on budget for 2018/19.
BZ851	M-Gershom Parkington Bequest	559,719	3,500	563,219	567,608	568,919	(5,700)	Monies received as part of the Gershom Parkington bequest in order to maintain and develop the Horological Collection.
BZ853	The Apex Reserve	0	6,000	6,000	20,000	6,000	0	Monies set aside in order to fund future years equipment renewals and the like.
BZ854	Abbey Gardens Donation	38,766	0	38,766	38,766	38,766	0	No movement expected during 2018/19.
BZ870	Planning Reserve	187,781	60,000	247,781	277,781	257,781	(10,000)	2018/19 utilisation of Local Plan spend.
BZ876	S106 Monitoring Officer Reserve	47,177	0	47,177	45,857	35,288	11,889	Monies set aside in order to fund the S106 Monitoring Officer.
BZ880	Economic Development Reserve (LABGI)	18,187	(5,000)	13,187	18,187	1,986	11,201	Currently expecting to utilise the remaining balance on this reserve during 2018/19 to fund Economic Development initiatives.
BZ885	Homelessness Legislation Reserve	179,981	26,269	206,250	627,354	281,642	(75,392)	Includes contributions in respect of the DCLG Flexible Homelessness Support Grant and Rough Sleeper Grant which are being utilised to support the Housing Options Team.
BZ886	S106 Revenue Reserve	33,621	0	33,621	33,621	33,621	0	No movement expected during 2018/19.
BZ890	Election Reserve	114,675	7,330	122,005	159,322	144,322	(22,317)	Anticipated usage during 2018/19 in order to fund Capacity Resourcing requirements as budgeted.

MTFS Earmarked Reserves Projections

2018/19 December Budget Monitoring Report

Account	Reserve Description	2018/19 Opening Balance £	2018/19 Net Budgeted Movement to / (from) Reserve £	2018/19 Budgeted Closing Balance £	2018/19 Current Balance £	2018/19 Forecast Closing Balance £	2018/19 Forecast Variance Over / (Under) Utilised £	Variance Notes (variances in brackets denote less reserve used than budgeted)
	St Edmundsbury Totals	20,594,735	(2,647,660)	17,947,075	22,111,090	21,207,512	(3,260,437)	

Informal Joint Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	West Suffolk Strategic Risk Register Quarterly Monitoring Report – Dec 2018	
Report No:	PAS/SE/18/003	
Report to and date:	Performance and Audit Scrutiny Committee	31 January 2019
Portfolio holder:	Councillor Ian Houlder Portfolio Holder for Resources and Performance Tel: 01284 810074 Email: ian.holder@stedsbc.gov.uk	
Lead officer:	Gregory Stevenson Service Manager (Finance and Performance) Tel: 01284 757264 Email: gregory.stevenson@westsuffolk.gov.uk	
Purpose of report:	To review the West Suffolk Strategic Risk Register Quarterly Monitoring Report.	
Recommendation:	Performance and Audit Scrutiny Committee@ 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.	

Key Decision: <i>(Check the appropriate box and delete all those that do not 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"/>	
Consultation:		• Not Applicable	
Alternative option(s):		• Not Applicable	
Implications:			
<i>Are there any financial 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 staffing implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any ICT implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Risk/opportunity assessment:		<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)
See individual assessments against each risk as detailed in Appendix 1 .			
Ward(s) affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		None	
Documents attached:		Appendix 1 - West Suffolk Strategic Risk Register 2018/2019	

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 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 December 2018, 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 December 2018 have been removed from the register.

1.2 New or Amended Risks

- 1.2.1 A new risk has been added as **WS24** to represent in one place the risks associated with Brexit and the associated mitigating actions. These risks have previously been contained within other broader identified risks but have been gathered together for clarity and focus. Where necessary the existing 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 (see 1.2 above). These changes will be reported at each meeting in the normal manner.

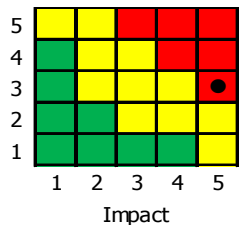
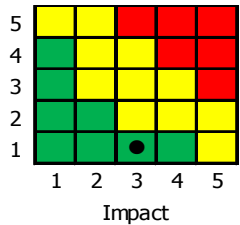
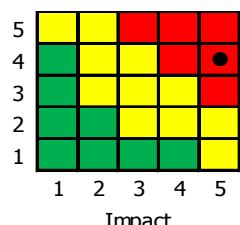
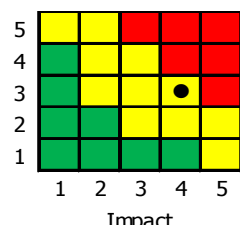
1.5 Reasons for Recommendations

- 1.5.1 The Council's Strategic Plan 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.

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West Suffolk Strategic Risk Register 2018/19 - December 2018

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).	 <p style="text-align: center;">Impact</p>	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	 <p style="text-align: center;">Impact</p>
							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. Upgrade complete - development continuing	LT		Oct-19	
							A	6) Strengthen the overall Performance Management Framework. E.g. Balanced Scorecards, PDRs, (also see WS18), Risk management, Project monitoring, Financial Reporting. Review in light of Northants CC Inspectors report	LT	Apr-17	Complete	
							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. Review of a West Suffolk MTFS as part of single council work.	Assistant Director - Resources & Performance	Sep-16	N/A	
							A	10) Utilise Suffolk wide Business Rates monitoring and forecasting tool to assist with control #2 above. Input from Economic Development included to improve accuracy.	Assistant Director - Resources & Performance	Jul-17	Ongoing	
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>	 <p style="text-align: center;">Impact</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	 <p style="text-align: center;">Impact</p>
							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	
							C	7) Use of data and intelligence in forecasting future scenarios.	LT	N/A	N/A	

West Suffolk Strategic Risk Register 2018/19 - December 2018

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							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. Following agreement at Council in Feb 18 there will be a 2 yr review in Feb 2020 and ongoing review.	LT	Sep-16	Oct-19	
							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	<p>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 with 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.</p> <p>This could also potentially impact on our ability to recruit staff in competitive market.</p>	<p style="text-align: center;">Impact</p>	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	<p style="text-align: center;">Impact</p>
							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)	<p>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.</p>	<p style="text-align: center;">Impact</p>	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	<p style="text-align: center;">Impact</p>
							A	2) Specifications for a new CRM system to be drawn up to meet customer requirements and expectations.	Assistant Director - Families & Communities	Jun-18	Sep-19	
							C	3) 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	4) Development new website to ensure continuity into West Suffolk Council.	Assistant Director - Families & Communities	N/A	N/A	

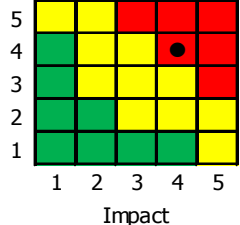
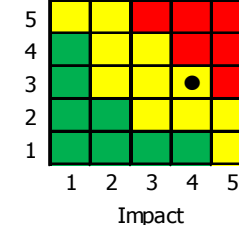
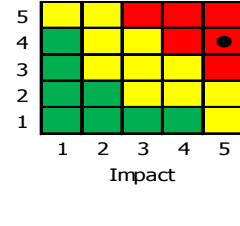
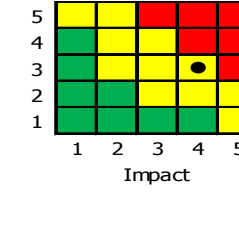
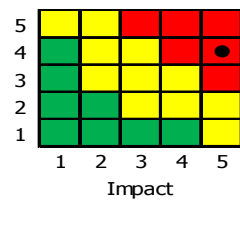
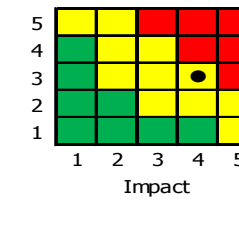
West Suffolk Strategic Risk Register 2018/19 - December 2018

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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
WS4	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.	<p style="text-align: center;">Impact</p>	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. Woekforce Strategy agreed 31st March 18. Focus on delivery of these action plans	HR Manager	Reviewed OD plan 2016	On-going	<p style="text-align: center;">Impact</p>
							C	2) Regularly evaluate outcome of Performance Reviews to identify talent management to inform succession planning. New PDR planned for 2019 focus on performance, pay progression and career progression	HR Manager	Jun-14	Ongoing	
							A	3) Annual workforce monitoring data presented to the West Suffolk Joint Staff Consultative Panel; no significant issues raised.	HR Manager	N/A	On-going	
							A	4) 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 increasing National Living Wage and the changing roles of the 21C Public Servant.	Assistant Director - HR, Legal and Democratic Services	N/A	ongoing	
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.	<p style="text-align: center;">Impact</p>	C	1) Understand and communicate priorities and expectations through Strategic Plan and MTFS. Assign dedicated corporate project resources to support new projects.	LT	N/A	On-going	<p style="text-align: center;">Impact</p>
							A	3) Review and align service and skilled resources available to the strategic plan including communication 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	
							A	6) Harmonise policy and strategy to enable the new West Suffolk Council to operate with a clear purpose and establish a robust model of governance so that the new Council is empowered to discharge its powers and functions and take decisions from 1 April 2019.	Programme Manager - Single Council Implementation.		Apr-19	
C	7) Revised governance structure and induction programme as part of implementation of West Suffolk Council.	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.	<p style="text-align: center;">Impact</p>	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	<p style="text-align: center;">Impact</p>
							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	
							A	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	
							C	4) Project support and resources to be included in future Project Initiation Documents and project business cases, including support services such as: ICT, Finance, Legal and Property	LT and All Service Managers	May-17	On-going	

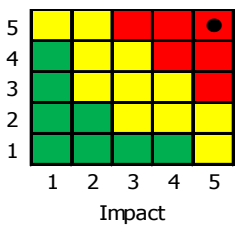
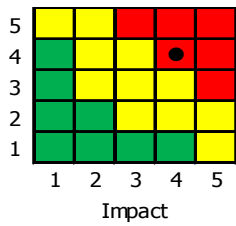
West Suffolk Strategic Risk Register 2018/19 - December 2018

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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
								<p>C 5) Early identification of Corporate capacity / priorities as part of business plan / project initiation. Review of programmes to assist with prioritisation.</p> <p>C 6) Carry out Project Close Out Reports and Project Health Checks as appropriate.</p>	LT	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.		<p>A 1) Maintain alignment of ICT infrastructure and corporate systems through corporate project planning</p> <p>A 2) Continued Business Applications integration / alignment.</p> <p>C 3) Regular review of both integration programmes for strategic fit and resources/skills capacity through corporate projects plan.</p> <p>C 4) Monthly testing of the Council PSN compliance including the checking and monitoring of new and existing staff profiles. No tolerance approach adopted.</p> <p>A 5) Development of a West Suffolk Information Strategy and links to the wider public sector integration agenda (Transformation Challenge Award).</p>	Infrastructure Support Manager Project Managers & Service Manager (ICT) Service Manager Corporate Policy/ LT	Jun-14 Jun-14 N/A N/A N/A	On-going Individual project plans N/A N/A Complete		
WS8	10-Jul-14	Political Social										
	(a)		Assistant Director & Portfolio Holders- Families & Communities	Failure to deliver; Families & Communities agenda	<p>Opportunities being missed to create or influence the provision of:</p> <p>(i) a thriving voluntary sector and active communities who take the initiative to help the most vulnerable</p> <p>(ii) people playing a greater role in determining the future of their communities</p> <p>(iii). improved wellbeing, physical and mental health</p> <p>(iv) accessible countryside and green spaces</p>		<p>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 West Suffolk Strategic Plan.</p> <p>C 2) Continue to develop the Families and Communities Officers role and new ways of working with councillors and the wider team.</p> <p>A 3) Locality budgets and Community Chest funds available. Ensure both are used effectively and as intended.</p> <p>A 4) Assess impact and opportunity of West Suffolk Council on Families and Communities agenda (locality budgets, councillor representation of local communities etc.)</p> <p>A 5) Partnership working within the county and beyond to mitigate social trends (county lines, rough sleeping etc)</p>	Service Manager (Families & Communities)	Jul-17	Complete		
	(b)		Assistant Director & Portfolio Holders - Growth	Failure to deliver; Growth Agenda inc coping with growth and increase in demand	<p>Opportunities being missed to create or influence the provision of:</p> <p>(i) beneficial growth that enhances prosperity and quality of life</p> <p>(ii) existing businesses that are thriving and new businesses brought to the area</p> <p>(iii) people with the educational attainment and skills needed in our local economy</p>		<p>C 1) Developing engagement with the Local Enterprise Partnership and supporting development of the emerging combined authority business board. Deliver Six Point Plan for Jobs and Growth. Monitoring the local economy.</p> <p>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</p> <p>C 3) Support to WSC, SCC, UCS and other agencies involved with skills development. Monitoring attainment levels.</p> <p>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.</p>	Assistant Director - Growth	N/A	N/A		

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					(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		Complete	
	(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: (i) sufficient housing for current and future generations, including more affordable homes and improvements to existing housing (ii) new developments that are fit for the future, properly supported by infrastructure, and that build communities, not just housing (iii) homes that are flexible for people's changing needs		C	1) West Suffolk Housing strategy adopted, implementation of agreed Action Plan, with annual monitoring.	Assistant Directors for Growth, Families and Communities	N/A	N/A	
							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	
							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	
							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)	Apr-19	Aug-19	
							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. A formal review of the contract was completed in January 2017.	Service Manager (Housing Standards)	Apr-14	First year review completed. Ongoing performance management tracked monthly through balanced scorecard.	
							A	7) Establishment of commercial Housing Development Company to build open market, private rented and affordable housing, Company incorporated March 2016. Initial Business Plan approved in Dec 2016. 100% ownership and interim business plan agreed in Sep-18. Revision to be included as part of the 2019-2023 MTFS in Dec-18.	Service Manager (Strategic Housing)	Apr-15	See action 7 text for details of dates.	
							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.	

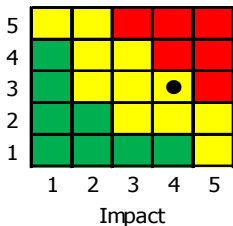
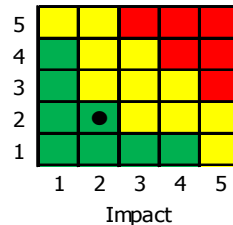
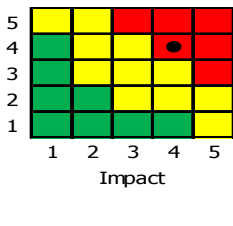
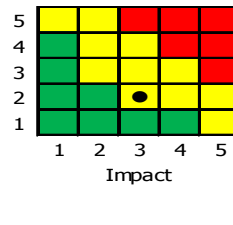
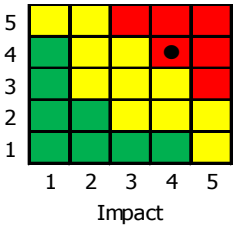
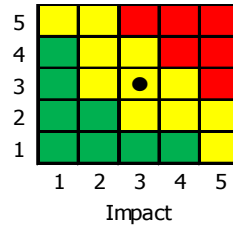
West Suffolk Strategic Risk Register 2018/19 - December 2018

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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	The benefits of becoming a single Council for West Suffolk 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 legislations, policy and structure proposals (including EU).	<p style="text-align: center;">Impact</p>	C	1) Keep a watching brief on, and disseminate information on new policies, funding models and opportunities through MHCLG, RSN, LGA, EELGA etc.	Service Manager (Corporate Policy)	N/A	N/A	<p style="text-align: center;">Impact</p>
							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, local government funding changes, proposed structural changes for local government in Suffolk and the wider East Anglia area.	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 MHCLG and LGBCE to deliver single for West Suffolk from 1st April 2019.	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 or industry.	Failure to retain major employers in the area and the economic impact that it would have	<p style="text-align: center;">Impact</p>	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	<p style="text-align: center;">Impact</p>
							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.	<p style="text-align: center;">Impact</p>	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	<p style="text-align: center;">Impact</p>
							C	2) Regular monitoring of arrangements / outcomes.	All Assistant Directors	Jun-14	N/A	
							A	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.	All Assistant Directors	Jun-14	On-going	

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						Impact	C	4) Understand the cumulative impact of complex partnership delivery arrangements.	CEO and LT	Dec-15	N/A	Impact
							A	5) Develop robust governance arrangements for council owned companies. Barley Homes Business Plan under review in detail as part of regular reporting.	LT	On-going	On-going	
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.		A	1) Services must have a workable, up to date Business Continuity Plan in place.	All Assistant Directors/All staff	Aug-14	On-going	
							C	2) Combined West Suffolk Business Continuity Plan is in place for major identified threats, regularly reviewed and practised.	LT	N/A	N/A	
							C	3) Appointed officers within each service to be responsible for the continuity plans.	All Assistants Directors / Appointed Officers	N/A	N/A	
								Please also see WS16 - Breach of data protection and information security				
							A	Adoption of lessons learned from Carillion and Capita issues. Procurement and contract management policies updated for Feb approval.	LT	Apr-18	Feb-19	
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		C	1) Information governance group coordinates councils' approach to risks.	Director	N/A	N/A	
							C	2) Regular buildings checks to ensure information is held securely.	Service Manager (Internal Audit)	N/A	N/A	
							A	3) Improve staff and member communication on good practices and data security.	Service Manager (Corporate Communications)	Apr-14	On-going	
							A	4) Information Security e-learning - 1st phase, existing officers, completed. All new staff and members to complete module as part of induction programme.	Director	Apr-14	On-going	
							A	5) Programme plan has been developed and will be in place to support compliance with General Data Protection Regulation by May 25th. Online GDPR training rolled out in Dec-17.	Data Protection Officer	Oct-17	Complete	
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.		C	1) Performance and Audit Scrutiny Committee (PASC) receive comprehensive performance monitoring report.	Assistant Director - Resources & Performance / R&P Business Partners	N/A	N/A	
							A	2) Early identification, reporting and monitoring of potential problem areas.	Service Managers / Business Partners / Advisers	Aug-14	On-going	
							C	3) Strengthen the overall Performance Management Framework. E.g. Balanced Scorecards, PDRs, (also see WS18), Risk management, Project monitoring, Financial Reporting.	LT	Apr-17	Complete	
							C	4) Use PDR's to aid early identification of potential problem areas.	Line Managers	N/A	N/A	
								Please also see WS7 - Poor Project Management				

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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.	<p style="text-align: center;">Impact</p>	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	<p style="text-align: center;">Impact</p>
							A	2) Monitor, research and analysis around demographics through MHCLG, ONS, LGA, LGC and other sources and share key findings with relevant services.	Service Manager (Corporate Policy)	Jun-14	On-going	
							A	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 9Corporate 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.	<p style="text-align: center;">Impact</p>	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	<p style="text-align: center;">Impact</p>
							A	2) Well being programme in place.	Health & Safety Manager	Jun-14	On-going	
							C	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	
							A	4) Communications to staff and councillors.	Health & Safety Manager	Jun-14	On-going	
							A	5) Appropriate insurances in place and regularly reviewed.	Health & Safety Manager	Jun-14	On-going	
							C	6) Continue a programme of health and safety audits according to H&S Risk.	Health & Safety Manager	N/A	N/A	
							C	7) Implementation of new H&S Management software.	Health & Safety Manager	Nov-17	Apr-19	

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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.	<p style="text-align: center;">Impact</p>	A	1) Working in Countywide safeguarding partnership - external annual S11 Audit of Council procedures and the annual self-assessment.	Service Manager- Strategic Housing	Jul-09	On-going	<p style="text-align: center;">Impact</p>
							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	On-going	
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.	<p style="text-align: center;">Impact</p>	A	1) Co-ordinate and lead the Forest Heath member-led local Mildenhall and Lakenheath Airbases Group	Director (JK)	Mar-15	On-going	<p style="text-align: center;">Impact</p>
							A	2) 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	3) 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	4) 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	On-going	
							A	5) Work with and influence the MoD on site transfer.	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	<p style="text-align: center;">Impact</p>	A	1) <u>User Education & 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	On-going	<p style="text-align: center;">Impact</p>
							A	2) <u>User Education & 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	On-going	
							A	3) <u>Incident Management</u> - Business continuity planning card to be finalised, tested and disseminated.	Service Manager ICT HR Business Partner	Oct-17	On-going	
							A	4) <u>Incident Management</u> - Review of Business Continuity Plan to be finalised with the plan then agreed and published - this requiring a revisit of each service area to agree operational procedures and where stored to provide assurance that arrangements are in place in event of an incident	Service Manager ICT HR Business Partner	Oct-17	On-going	
							A	6) <u>Secure Configuration</u> - Carry out a user access / change control process for key systems, given that many are internet based. Internal reviews of system access to be considered for inclusion within Audit Plan.	Service Manager ICT HR Business Partner, Service Manager IA	Oct-17	On-going	

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WS24	04-Jan-19	Economic, Financial, Political, Legal	Directors, Assistant Directors & Portfolio Holders	BREXIT	Failure to prepare for the impact of BREXIT leading to loss of staff, supplier failure or West Suffolk business failure		A	Take active role in Suffok Brexit Group and share information accordingly	Director	Dec ;18	On going	
							A	Share information with businesses and business representatives about issues the Council is aware of that could impact on them and link them to sources of information	Service Manager Economic development	Dec '18		
							A	Review suppliers and identify those that could be at risk of Brexit and make appropriate contingencies	All ADs	Dec '18		

Informal Joint Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Ernst and Young – Certification of Claims Annual Report 2017/2018	
Report No:	PAS/SE/19/004	
Report to and date:	Performance and Audit Scrutiny Committee	31 January 2019
Portfolio holder:	Councillor Ian Houlder Portfolio Holder for Resources and Performance Tel: 07970 729435 Email: ian.houlder@stedsbc.gov.uk	
Lead officer:	Greg Stevenson Service Manager – Finance and Performance Tel: 01284 757264 Email: Gregory.stevenson@westsuffolk.gov.uk	
Purpose of report:	To update members on the outcome of the annual certification of grant claims by Ernst and Young (our external auditors) as detailed in their Certification of claims annual report 2017/2018, attached at Appendix B.	
Recommendation:	Performance and Audit Scrutiny Committee: Members are asked to <u>note</u> the Certification of Claims Report 2017/2018 attached as Appendix B.	

Key Decision: <i>(Check the appropriate box and delete all those that do not 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"/>	
Consultation:		• N/A	
Alternative option(s):		• N/A	
Implications:			
<i>Are there any financial implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • The report includes the final fee for certification of the 2017/2018 grant claims.	
<i>Are there any staffing implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any ICT implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> • External audit is a statutory function.	
<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> •	
Risk/opportunity assessment:		<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*
Errors identified as a result of 2016/2017 testing may have been replicated in 2017/2018	Medium	Perform early extended testing in those areas where errors were identified	Low
Ward(s) affected:		N/A	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		None	
Documents attached:		Appendix A – FHDC Certification of claims report 2017/2018 Appendix B – SEBC Certification of claims report 2017/2018	

1. Key issues and reasons for recommendation(s)

- 1.1 Ernst and Young (EY) has issued at **Appendix B**, an annual Report on the Certification of Claims for 2017/2018. This report summarises the results of the certification work that has been undertaken by EY staff as part of the annual audit of grant claims to government departments and sets out the scale fee for carrying out this work.
- 1.2 Funding from government departments is an important income stream for the Council which has to put in place procedures to ensure that it has met the conditions attached to the funding and, in some cases, must complete returns providing financial information to support the claims. The government departments may require appropriately qualified auditors to certify the claims.
- 1.3 From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns, and to prescribe scales of fees for this work, was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.
- 1.4 For 2017/2018, these arrangements required only the certification of the housing benefits subsidy claim with a total value of £26.62 million.
- 1.5 The certification work found errors on the claim and these errors have been corrected by officers. A qualification letter setting out further errors and uncertainties was also reported to the Department for Works and Pensions (DWP). The relevant officers of the Council and Anglia Revenues Partnership (ARP) have agreed the qualifications in respect of the 2017/2018 certification work, as detailed in **Appendix B**. ARP has taken action to address the issues for 2018/2019.
- 1.6 In addition, the PSAA determine a scale fee each year for the audit of claims and returns. For 2017/18, these fees are set out in the table below.

	Indicative Fee 2017/2018	Final Fee 2017/18
Forest Heath DC	£12,442	£12,442
St Edmundsbury BC	£24,722	£21,700

- 1.7 EY have made no recommendations to Members as a result of the audit.

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Forest Heath District Council
Certification of claims report
2017/18

January 2019

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Performance & Audit Scrutiny Committee
Forest Heath District Council
College Heath Road
Mildenhall
Bury St Edmunds
Suffolk
IP28 7EY

15 January 2019

Dear Committee Members

We are pleased to report on our certification work. This report summarises the results of our work on Forest Heath District Council's 2017/18 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified reporting accountants to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. For 2017/18, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions.

Summary

Section 1 of this report outlines the results of our 2017/18 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £14,280,136. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in Section 1.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2017/18 were published by the Public Sector Audit Appointments Ltd (PSAA) and are available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the January Performance & Audit Scrutiny Committee.

Yours faithfully

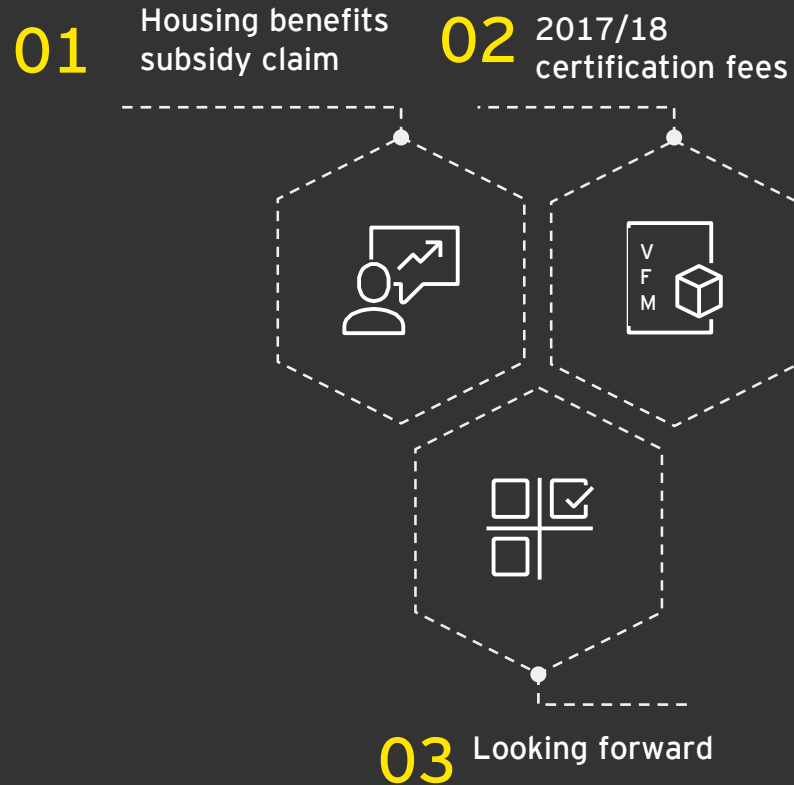
MARK HODGSON

Mark Hodgson

For and on behalf of Ernst & Young LLP

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This report is made solely to the Performance & Audit Scrutiny Committee and management of Forest Heath District Council. Our work has been undertaken so that we might state to the Performance & Audit Scrutiny Committee and management of Forest Heath District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Performance & Audit Scrutiny Committee and management of Forest Heath District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Housing benefits subsidy claim



Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£14,280,136
Amended/Not amended	Amended
Qualification letter	Yes
Fee - 2017/18	£12,442
Fee - 2016/17	£15,203

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires reporting accountants to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the certification of previous years claims. We found errors and carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. They had no net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. The main issues we reported are on the following page.

We have identified errors in the calculation of earnings across all seven authorities within Anglia Revenues Partnership (ARP) during 2017/18 and in previous years. Given the level of these errors Anglia Revenues Partnership have implemented additional quality control procedures for all claims containing earnings since 1 April 2018 with an aim to reducing the overall level of error in this area.

Housing benefits subsidy claim

Summary of errors: 2017/18

Description of Cell	Nature of Error
Cell 94: Rent Allowance - Total Expenditure (Benefit Granted)	Testing of the initial sample identified 1 misclassification of expenditure as an eligible overpayment rather than an extended payment. This type of error will always lead to no impact on the amount of subsidy claimed, as such no additional '40+' testing was required. We reported an observation in the Qualification Letter.
Cell 94: Rent Allowance - Total Expenditure (Benefit Granted)	Testing of the initial sample identified 2 cases where Personal Independence Payments had been included at an incorrect rate. This type of error will always lead to no impact on the amount of subsidy claimed, as such no additional '40+' testing was required. We reported an observation in the Qualification Letter.

Page 24 2016/17 Follow Up

Description of Cell	Nature of Error
Cell 94: Rent Allowance - Total Expenditure (Benefit Granted)	In 2016/17, we identified errors where the Authority had incorrectly assessed earned income. Testing of the initial sample in 2017/18 identified 1 incorrect assessment of earned income leading to overpayment of benefit. Our 2017/18 '40+' sub population testing of claims with earned income identified an additional 2 overpayments, 2 underpayments and 2 miscalculation of earned income. We reported an extrapolation in the Qualification Letter with an extrapolated impact of £5,514, following DWP's extrapolation methodology.
Cell 094: Rent Allowance - Total Expenditure (Benefit Granted)	In 2016/17, we identified errors where the Authority had incorrectly assessed self employed income. Our 2017/18 '40+' sub population testing of claims with self employed income identified 1 overpayment, 3 underpayments and 6 miscalculation of self employed income. We reported an extrapolation in the Qualification Letter with an extrapolated impact of £2,598, following DWP's extrapolation methodology.



02

2017/18 certification fees





2017/18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017/18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) and are available on their website (www.psaa.co.uk).

Claim or return	2017/18 Actual fee £'s	2017/18 Indicative fee £'s	2016/17 Actual fee £'s
Housing benefits subsidy claim	12,442	12,442	15,203

The indicative fee for 2017/18 is based on the actual fee for 2015/16. We have completed our work in the allocated certification fee.



03

Looking forward



Looking forward

2018/19 and beyond

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing benefit subsidy claim.

We welcome the opportunity to continue undertaking this work for the Council providing a seamless quality service, drawing on vast array of experienced and knowledgeable public sector professionals in these areas, whilst realising the synergies and efficiencies that are achieved by undertaking both the audit and grant work.

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**St Edmundsbury Borough
Council**

**Certification of claims annual
report 2017/18**

January 2019



Building a better
working world



Performance & Audit Scrutiny Committee
St Edmundsbury Borough Council
College Heath Road
Mildenhall
Bury St Edmunds
Suffolk
IP28 7EY

15 January 2019

Dear Committee Members

We are pleased to report on our certification work. This report summarises the results of our work on St Edmundsbury Borough Council's 2017/18 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified reporting accountants to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. For 2017/18, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions.

Summary

Section 1 of this report outlines the results of our 2017/18 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £26,620,447. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2017/18 were published by the Public Sector Audit Appointments Ltd (PSAA) and are available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the January Performance & Audit Scrutiny Committee.

Yours faithfully

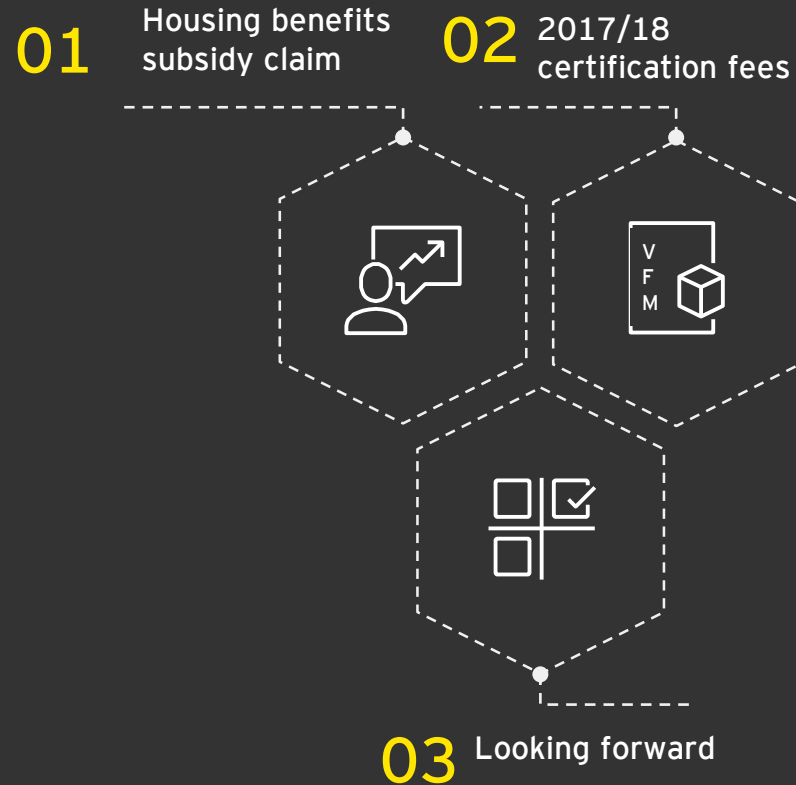
MARK HODGSON

Mark Hodgson

For and on behalf of Ernst & Young LLP

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This report is made solely to the Performance & Audit Scrutiny Committee and management of St Edmundsbury Borough Council. Our work has been undertaken so that we might state to the Performance & Audit Scrutiny Committee and management of St Edmundsbury Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Performance & Audit Scrutiny Committee and management of St Edmundsbury Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Housing benefits subsidy claim

Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£26,620,447
Amended/Not amended	Amended
Qualification letter	Yes
Fee - 2017/18	£21,700 (Subject to PSAA approval)
Fee - 2016/17	£22,583

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires reporting accountants to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the certification of previous years claims. We found errors and carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. They had no net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. The main issues we reported are on the following page.

We have identified errors in the calculation of earnings across all seven authorities within Anglia Revenues Partnership (ARP) during 2017/18 and in previous years. Given the level of these errors Anglia Revenues Partnership have implemented additional quality control procedures for all claims containing earnings since 1 April 2018 with an aim to reducing the overall level of error in this area.

Housing benefits subsidy claim

Description of Cell	Nature of Error
Cell 94: Rent Allowance - Total Expenditure (Benefit Granted)	In 2016/17 we identified errors where the Authority had incorrectly input Occupational pension amounts. Our 2017/18 '40+' sub population testing of claims with earned income identified an additional 4 overpayments, 2 underpayments and 1 miscalculation of earned income. We reported an extrapolation in the Qualification Letter with an extrapolated impact of £1,796, following DWP's extrapolation methodology.
Cell 094: Rent Allowance - Total Expenditure (Benefit Granted)	In 2016/17 we identified errors where the Authority had incorrectly input occupational pension. Our 2017/18 '40+' sub population testing of claims with occupational pension identified 1 overpayment, 3 underpayments and 1 miscalculation of occupational pension. We reported an extrapolation in the Qualification Letter with an extrapolated impact of £28, following DWP's extrapolation methodology.
Cell 094: Rent Allowance - Total Expenditure (Benefit Granted)	In 2016/17 we identified errors where the Authority had incorrectly input rental figures for Sanctuary Housing. Our 2017/18 '40+' sub population testing of claims with rental figures from Sanctuary Housing identified 2 overpayment, 1 underpayment of rent. We reported an extrapolation in the Qualification Letter with an extrapolated impact of £25, following DWP's extrapolation methodology.



02

2017/18 certification fees





2017/18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017/18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) and are available on their website (www.psaa.co.uk).

Claim or return	2017/18 Actual fee £'s	2017/18 Indicative fee £'s	2016/17 Actual fee £'s
Housing benefits subsidy claim	21,700	24,722	22,583

The indicative fee for 2017/18 is based on the actual fee for 2015/16. For 2017/18 the level of error identified was lower to that identified in 2015/16. As a result, we are planning a reduction in the fee by £3,022. This is still subject to formal approval by the PSAA Ltd and we will confirm with you the outcome of the approval process.



03

Looking forward



Looking forward

2018/19 and beyond

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing benefit subsidy claim.

We welcome the opportunity to continue undertaking this work for the Council providing a seamless quality service, drawing on vast array of experienced and knowledgeable public sector professionals in these areas, whilst realising the synergies and efficiencies that are achieved by undertaking both the audit and grant work.

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Informal Joint Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Ernst and Young – Presentation of External Audit Plan and Fees 2018/2019	
Report No:	PAS/SE/19/005	
Report to and date:	Performance and Audit Scrutiny Committee	31 January 2019
Portfolio holder:	Councillor Ian Houlder Portfolio Holder for Resources and Performance Tel: 07970 729435 Email: ian.houlder@stedsbc.gov.uk	
Lead officer:	Greg Stevenson Service Manager – Finance and Performance Tel: 01284 757264 Email: Gregory.stevenson@westsuffolk.gov.uk	
Purpose of report:	To provide members with a basis to review Ernst and Young's (EY's) proposed approach and scope for the 2018/2019 audit along with the planned fees to complete the work as set out in the Audit Plan, attached at Appendix B .	
Recommendation:	Performance and Audit Scrutiny Committee: Members are asked to note the External Audit Plan and Fees for 2018/2019 attached at Appendix B.	

Key Decision: <i>(Check the appropriate box and delete all those that do not 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"/>	
Consultation:		<ul style="list-style-type: none"> This report has been prepared in consultation with officers of the council. 	
Alternative option(s):		<ul style="list-style-type: none"> N/A 	
Implications:			
<i>Are there any financial implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> The report includes the planned 2018/2019 audit fee and certification of claims fee. 	
<i>Are there any staffing implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
<i>Are there any ICT implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> External audit is a statutory function. 	
<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> 	
Risk/opportunity assessment:		<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*
The assessment of the key strategic or operational risks and the financial statement risks facing the Council may not be correct	Medium	Assessment of key strategic or operational risks and the financial statement risks facing the Council have been identified through External Audits knowledge of the entity's operations and discussion with members and officers.	Low
Ward(s) affected:		N/A	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		None	
Documents attached:		Appendix A – FHDC Audit Plan Year Ended 31 March 2019 Appendix B – SEBC Audit Plan Year Ended 31 March 2019	

1. Key issues and reasons for recommendation(s)

1.1 The Council's appointed external auditors, Ernst and Young (EY), are required to provide an audit plan which covers the work they plan to perform in order to provide the Council with:

- An audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness. The Audit Plan (attached at **Appendices A and B**) is based on EY's risk-based approach to audit planning.

1.2 When planning the audit EY take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements.
- Developments in financial reporting and auditing standards.
- The quality of systems and processes.
- Changes in the business and regulatory environment.
- Management's views on all of the above.

1.3 Sections 2 and 3 of **Appendix B**, summarise EY's assessment of the key risks which drive the development of an effective audit for the Council, and outlines their planned audit strategy in response to those risks. Officers will be working with EY over the coming months to ensure that these risks are managed and where possible to come to an agreement over their treatment prior to the issuing of the Annual Governance Report, and Audit Opinion (due to be issued by EY by July 2019).

1.4 The planned fees for carrying out this work for 2018/2019 is set out on pages 34 and 35 of **Appendices A and B**. The fees are summarised below:

Planned fee 2018/2019	St Edmundsbury	Forest Heath
Audit fee – code work	£33,701	£38,235
Housing Benefit certification	£14,960	£14,960
Total fees	£48,661	£53,195

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Forest Heath District Council

Audit Plan

Year ended 31 March 2019

18 January 2019



Performance & Audit Scrutiny Committee
Forest Heath District Council
College Heath Road
Mildenhall
Bury St Edmunds
Suffolk
IP28 7EY

18 January 2019

Dear Committee Members

Audit Planning Report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Performance & Audit Scrutiny Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Performance & Audit Scrutiny Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 31 January 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Performance & Audit Scrutiny Committee and management of Forest Heath District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Performance & Audit Scrutiny Committee and management of Forest Heath District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Performance & Audit Scrutiny Committee and management of Forest Heath District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide you with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	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 prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.
The incorrect capitalisation of revenue expenditure	Fraud risk	No change in risk or focus, but shown separately	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified one area as being; incorrect classification of revenue spend as capital expenditure and manipulation of revenue expenditure funded through capital under statute (REFCUS) through the movement in reserve statement.
The incorrect application of recharges between Forest Heath District Council and St Edmundsbury Borough Council	Fraud Risk	No change in risk or focus	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified one area as being the incorrect application of recharges between Forest Heath District Council and St Edmundsbury Borough Council to manipulate the outturn reporting position of either Council.
Property, Plant and Equipment - Solar Farm Valuation	Significant Risk	No change in risk or focus	In the 2016/17 financial year the Council purchased Greenheath Energy Ltd and associated Solar Farm asset transferring the asset into the Council's Balance sheet. We identified this purchase and transfer as a significant risk during our 2016/17 and 2017/18 financial statements audits, with particular focus on the valuation of the Solar Farm asset. The Council have engaged their external expert for 2017/18 (Wilkes Head and Eve), to value the Solar Farm. As in 2017/18 we expect the Solar Farm to be valued utilising the income approach, discounting future cash flows by application of a discount rate. This method relies on the accuracy of a number of assumptions, namely, future power prices, inflation and discount rates which can be subject to significant fluctuation year on year. Given the highly material nature of the asset, £14 million, relatively small percentage variations in the assumptions applied could lead to material changes in the assets valuation.

Overview of our 2017/18 audit strategy

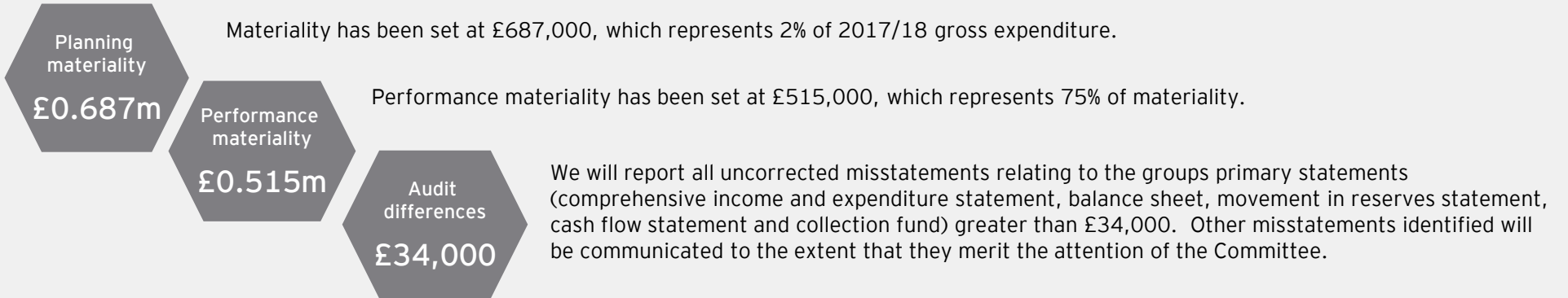
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide you with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Risk / area of focus	Risk identified	Change from PY	Details
Property, Plant and Equipment Valuation	Other financial statement risk	No change in risk or focus	<p>Property, Plant and Equipment represents 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 have engaged there external expert for 2018/19 (Wilkes Head and Eve), to value the Councils asset base, who will apply a number of complex assumptions and assess the Councils assets to identify whether there is any indication of impairment and changes to their useful life.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>
Pensions Liability - IAS19	Other financial statement risk	No change in risk or focus	<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.</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>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>

Area of focus	Change from PY	Details
Implementation of new accounting standards	New area of focus	<p>The 2018/19 CIPFA Code of practice on local authority accounting confirms that the Local Government will implement International Financial Reporting Standard ("IFRS") 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The Council needs to assess and evaluate the implications of these new standards on the 2018/19 accounts.</p>

Overview of our 2018/19 audit strategy

Group Materiality



Audit scope

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This Audit Plan covers the work that we plan to perform to provide you with:

Our audit opinion on whether the financial statements of Forest Heath District Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and

- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



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02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by *) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p>Misstatements due to fraud or error*</p>	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We will undertake our standard procedures to address fraud risk, which include:</p> <ul style="list-style-type: none">➤ Identifying fraud risks during the planning stages;➤ Inquiring of management about risks of fraud and the controls put in place to address those risks;➤ Understanding the oversight given by those charged with governance of management's processes over fraud;➤ Considering the effectiveness of management's controls designed to address the risk of fraud;➤ Determining an appropriate strategy to address those identified risks of fraud; and➤ Performing mandatory procedures regardless of specifically identified fraud risks, including;<ul style="list-style-type: none">➤ testing of journal entries and other adjustments in the preparation of the financial statements;➤ reviewing accounting estimates for evidence of management bias; and➤ evaluating the business rationale for significant unusual transactions;

Our response to significant risks (continued)

<p>Misstatements due to fraud or error - the incorrect capitalisation of revenue expenditure *</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Financial statement impact</p> <p>We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.</p> <p>We consider the risk applies to capitalisation of revenue expenditure and could result in a misstatement of cost of services reported in the Comprehensive Income and Expenditure statement.</p>	<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively (see above).</p> <p>As the Council is more focused on its financial position over medium term, we have considered the risk of management override to be more prevalent in:</p> <ul style="list-style-type: none"> ▶ the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment (PPE) given the extent of the Council's capital programme; and ▶ the manipulation of revenue expenditure funded through capital under statute (REFCUS) through the movement in reserve statement. 	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Reviewing the appropriateness of revenue and expenditure recognition accounting policies and testing that they have been applied correctly during our detailed testing; ▶ Performing sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any revenue items that have been inappropriately capitalised; ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and ▶ Reviewing REFCUS entries in the movement in reserves statement and testing of entries to ensure they meet the accounting definition of REFCUS expenditure.

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Our response to significant risks (continued)

Misstatements due to fraud or error - the incorrect application of recharges between Forest Heath District Council and St Edmundsbury Borough Council *

Financial statement impact

We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to the incorrect application of recharges between the two Council's and could result in a misstatement of cost of services reported in the Comprehensive Income and Expenditure statement and within the level of Reserves reported within the Balance Sheet.

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively (see above).

As the Council is more focused on its financial position over medium term, we have considered the risk of management override to be more prevalent in:

- ▶ the incorrect application of recharges between the two Council's thus manipulating the financial position of one or both Council's.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Reviewing the appropriateness of recharges and that they are in line with the agreed cost sharing arrangement;
- ▶ Performing sample testing on recharge invoices to ensure that they are in line with the cost sharing agreement; and
- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements purporting to recharges.

Our response to significant risks (continued)

Property, Plant and Equipment - Solar Farm Valuation

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What is the risk?

In the 2016/17 financial year the Council purchased Greenheath Energy Ltd and associated Solar Farm asset transferring the asset into the Council's Balance sheet. We identified this purchase and transfer as a significant risk during our 2016/17 and 2017/18 financial statements audits, with particular focus on the valuation of the Solar Farm asset.

The Council have engaged their external expert for 2017/18 (Wilkes Head and Eve), to value the Solar Farm. As in 2017/18 we expect the Solar Farm to be valued utilising the income approach, discounting future cash flows by application of a discount rate. This method relies on the accuracy of a number of assumptions, namely, future power prices, inflation and discount rates which can be subject to significant fluctuation year on year. Given the highly material nature of the asset, £14 million, relatively small percentage variations in the assumptions applied could lead to material changes in the assets valuation.

What will we do?

Our approach will focus on:

- ▶ Review the information provided to the Council's Valuer as Management Expert (Wilkes Head and Eve);
- ▶ Undertake procedures to ensure that we can rely on the Valuer as management's expert;
- ▶ Employ our EY Real Estate team as our expert to review the assumptions and conclusions of Wilkes Head and Eve in relation to the valuation of the solar farm at the balance sheet date; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to Solar Farm asset.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Valuation of Property, Plant and Equipment

Property, Plant and Equipment represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.

The Council have engaged their external expert for 2017/18 (Wilkes Head and Eve), to value the Council's asset base, who will apply a number of complex assumptions and assess the Council's assets to identify whether there is any indication of impairment and changes to their useful life.

As (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

Our approach will focus on:

- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); and agreeing this to what has been recorded in the GL.
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider circumstances that require the use of EY valuation specialists (Real Estate team) to review any material specialist assets and the underlying assumptions used;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

Audit risks

Other areas of audit focus - Continued

What is the risk/area of focus?

Pensions Liability - IAS19

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.

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.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

Our approach will focus on:

- ▶ Liaising with the auditors of the administering authority (Suffolk County Council), to obtain assurances over the information supplied to the actuary in relation to Forest Heath District Council;
- ▶ Assessing the conclusions drawn on the work of the actuary by the Consulting Actuary, PwC; and
- ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

New accounting standards

The Code requires the Council to comply with the requirements of two new accounting standards for 2018/19. These standards are:

- **IFRS 9 - Financial Instruments**

This new accounting standard will change:

- ▶ How financial assets are classified and measured;
- ▶ How the impairment of financial assets are calculated; and
- ▶ The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

- **IFRS 15 - Revenue from contracts**

The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

What will we do?

We will:

- ▶ Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standards, transitional adjustments and planned accounting for 2018/19;
- ▶ Consider the classification and valuation of financial instrument assets;
- ▶ Review new expected credit loss model impairment calculations for assets;
- ▶ Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- ▶ Check additional disclosure requirements.



03

Value for Money Risks





Background

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.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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.

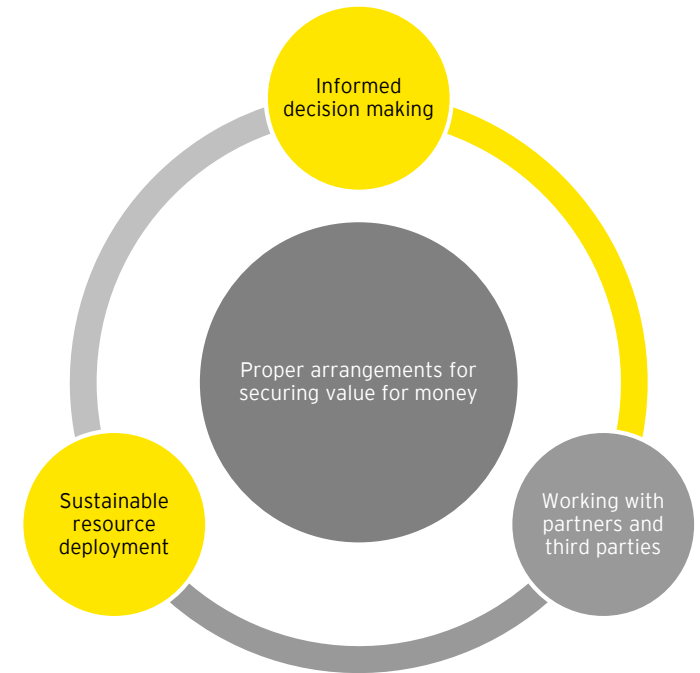
When considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by the Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Councils will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.





Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>Informed Decision Making - the move to One Council</p>	<p>Following a joint application to the Secretary of State, DCLG has approved the plan which will see a parliamentary order being made to enable the West Suffolk Council to be enacted from 1 April 2019.</p> <p>The Council is currently both developing its arrangements and working in shadow form ahead of the transition.</p> <p>There is a risk that these shadow arrangements and developments do not allow a smooth transition to the new 'One Council' which impacts on both service delivery to local residents and to employees.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ The arrangements and workings of the Shadow Council ahead of 1 April 2019; and ▶ The impact of the creation of a 'single council' on the Medium Term Financial Strategy (see below).
<p>Sustainable resource deployment: Medium Term Financial Planning</p>	<p>To date the Council (Forest Heath) has responded well to the financial pressure resulting from the continuing economic downturn.</p> <p>The Shadow Council is currently the Medium Term Financial Plan (MTFP) for the 'One Council' as part of the transition arrangements set out above and is setting a single budget for 2019/20.</p> <p>The MTFP needs to build in expected levels of grant funding from the Local Government settlement, other income streams, as well as consider the planned savings expected from the creation of the 'One Council'. There will be a need to identify any residual savings against any identified budget gaps in the next 4 year period between 2019 to 2024 of the MTFP.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Assess the adequacy of the Single Council's budget setting process; ▶ Challenge the robustness of key assumptions used in medium term planning; ▶ Review the Council's approach to prioritising resources whilst maintaining services; and ▶ For a sample of initiatives test the adequacy of the Council's arrangements for delivering savings/ efficiencies.



04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £687,000. This represents 2% of the Council's prior year gross expenditure on net Cost of Services. It will be reassessed throughout the audit process.

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Gross expenditure

£34m

Planning materiality

£0.687m

Performance materiality

£0.515m

Audit differences

£34,000

We request that the Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £515,000 which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Performance and Audit Scrutiny Committee, or are important from a qualitative perspective.

Specific materiality - We have set a materiality of £5,000 for remuneration disclosures, related party transactions, members' allowances and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and

Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Performance & Audit Scrutiny Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



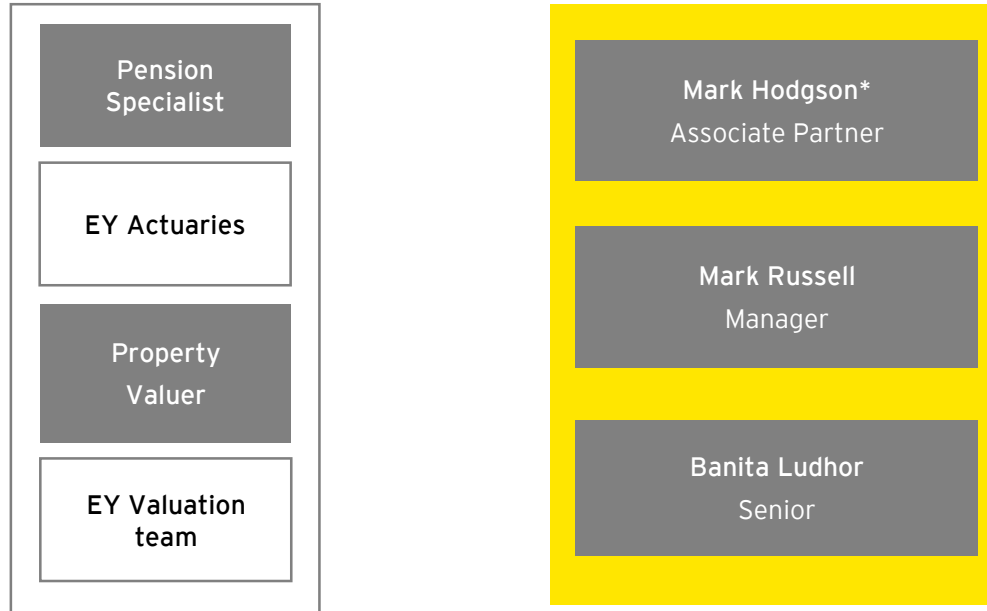
06

Audit team



Audit team

Audit team structure:



Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2018/19 audit.

We will continue to keep our audit approach under review to streamline it where possible.

Audit team

The engagement team is led by Mark Hodgson, who has significant experience on Local Authorities and their audits. Mark Hodgson is supported by Mark Russell who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team.

* Key Audit Partner

Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pension valuations and disclosures	Management expert - actuarial specialists to the Suffolk Pension Fund (Hymans Robertson) EY pensions advisory, PwC (Consulting Actuary to the PSAA)
Property, Plant and Equipment, and Investment Properties	Management expert - valuation specialists Wilkes, Head & Eves EY valuations expert - Solar Farm valuation
Fair value of financial instrument disclosure	Management expert - for the provision of fair value information in respect of financial instruments (Capita Asset Services)
National Domestic Rates Provision valuation	Management expert - valuation of the NDR provision (Wilkes, Head & Eves)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





Audit timeline

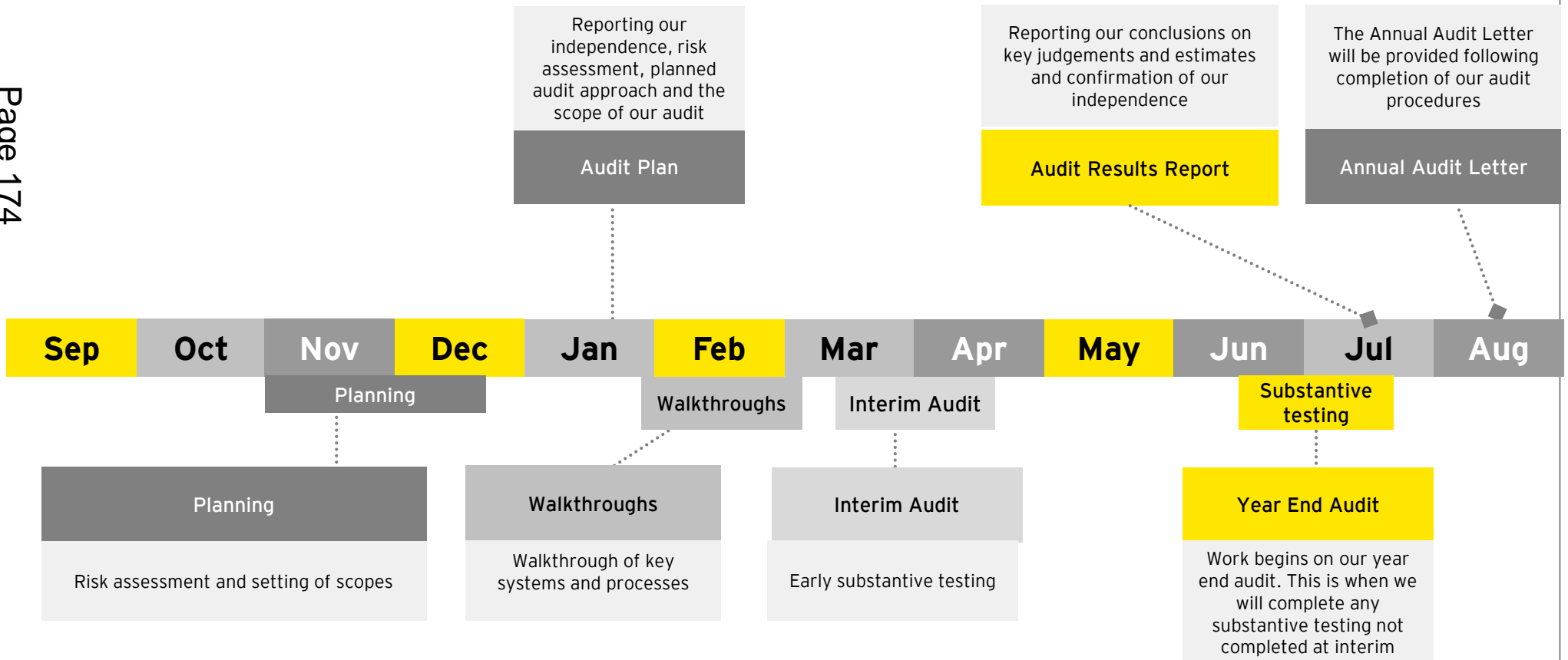
Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Performance & Audit Scrutiny Committee and we will discuss them with the Performance & Audit Scrutiny Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 39%. This is based on the planned fee for the agreed upon procedures work for the Housing Benefits certification work. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

Description of service	Related independence threat	Period provided/duration	Safeguards adopted and reasons considered to be effective
<p>We have been engaged to undertake the audit of the Housing Benefits Subsidy Claim 2018/19. The agreed upon procedures on the certification arrangements are due to start in April.</p> <p>Our current fee level is £14,960 however we will update you should this amount change.</p>	<p>Self review threat - figures included in the return are also included in the 2018/19 financial statements.</p>	<p>Relates to 2018/19 return for the period to 31 March 2019.</p>	<p>We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2018/19.</p> <p>The agreed upon procedures focus on the specific requirements of the certification arrangements and we place limited reliance on this work for the purposes of the financial statements audit. No other threats to independence have been identified.</p>

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

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<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s
Total Fee - Code work (Note 1)	38,235	36,235	50,021
Total audit	38,235	36,235	50,021
Other non-audit services: Housing Benefits certification (Note 2)	14,960	-	12,442
Total other non-audit services	14,960		12,442
Total fees	53,195	36,235	62,463

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Note 1

Audit Fee - 2018/19 Code work

- ▶ The planned fee includes an estimate of £2,000 for additional audit costs associated with the additional work to be performed over the valuation of the Solar farm asset. We would expect this additional fee to be in the range of £1,500 - £2,500.

Note 2

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

- ▶ As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing benefit subsidy claim. There is therefore no scale fee prescribed by PSAA as it is now no longer within their remit.
- ▶ The planned fee shown, is based on the level of error within the current claim and the work required to certify that. This may change dependent on the level of error within the claim under review.

All fees exclude VAT



Appendix B

Required communications with the Performance & Audit Scrutiny Committee

We have detailed the communications that we must provide to the Performance & Audit Scrutiny Committee.



Our Reporting to you



Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Performance & Audit Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - January 2019
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - July 2019

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Appendix B

Required communications with the Performance & Audit Scrutiny Committee (continued)



Our Reporting to you

Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - July 2019
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - July 2019
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Performance & Audit Scrutiny Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - July 2019
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - July 2019

Appendix B




Required communications with the Performance & Audit Scrutiny Committee (continued)

Our Reporting to you

Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan - January 2019; and Audit Results Report - July 2019
Internal confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - July 2019
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Performance and Audit Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Performance and Audit Scrutiny Committee may be aware of. 	Audit Results Report - July 2019
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - July 2019 Annual Audit Letter - September 2019

Appendix B

Required communications with the Performance & Audit Scrutiny Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	  When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - July 2019
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - July 2019
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - July 2019
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - January 2019 Audit Results Report - July 2019
Certification work	Summary of certification work undertaken	Annual Certification report - December 2019

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Performance & Audit Scrutiny Committee reporting appropriately addresses matters communicated by us to the Performance & Audit Scrutiny Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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St Edmundsbury Borough Council

Audit Plan

Year ended 31 March 2019

18 January 2019



Performance & Audit Scrutiny Committee
St Edmundsbury Borough Council
West Suffolk House
Bury St Edmunds
Suffolk
IP33 3YU

18 January 2019

Dear Committee Members

Audit Planning Report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Performance & Audit Scrutiny Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Performance & Audit Scrutiny Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 31 January 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP
Enc

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Performance & Audit Scrutiny Committee and management of St Edmundsbury Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Performance & Audit Scrutiny Committee and management of St Edmundsbury Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Performance & Audit Scrutiny Committee and management of St Edmundsbury Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide you with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	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 prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.
The incorrect capitalisation of revenue expenditure	Fraud risk	No change in risk or focus, but shown separately	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified one area as being; incorrect classification of revenue spend as capital expenditure and manipulation of revenue expenditure funded through capital under statute (REFCUS) through the movement in reserve statement.
The incorrect application of recharges between Forest Heath District Council and St Edmundsbury Borough Council	Fraud Risk	No change in risk or focus	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified one area as being the incorrect application of recharges between Forest Heath District Council and St Edmundsbury Borough Council to manipulate the outturn reporting position of either Council.

Overview of our 2017/18 audit strategy

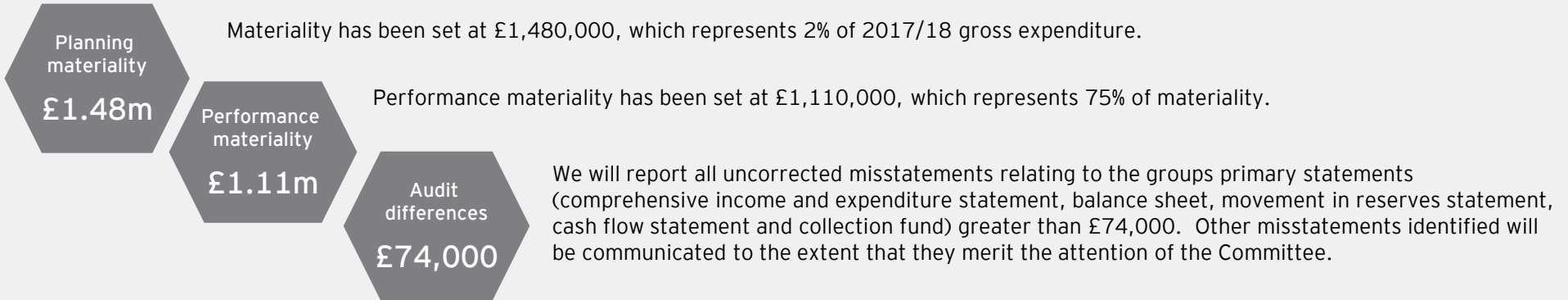
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide you with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Risk / area of focus	Risk identified	Change from PY	Details
Property, Plant and Equipment Valuation	Other financial statement risk	No change in risk or focus	<p>Property, Plant and Equipment represents 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 have engaged there external expert for 2018/19 (Wilkes Head and Eve), to value the Councils asset base, who will apply a number of complex assumptions and assess the Councils assets to identify whether there is any indication of impairment and changes to their useful life.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>
Pensions Liability - IAS19	Other financial statement risk	No change in risk or focus	<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.</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>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>

Area of focus	Change from PY	Details
Implementation of new accounting standards	New area of focus	<p>The 2018/19 CIPFA Code of practice on local authority accounting confirms that the Local Government will implement International Financial Reporting Standard ("IFRS") 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The Council needs to assess and evaluate the implications of these new standards on the 2018/19 accounts.</p>

Overview of our 2018/19 audit strategy

Group Materiality



Audit scope

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This Audit Plan covers the work that we plan to perform to provide you with:

Our audit opinion on whether the financial statements of St Edmundsbury Borough Council give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and

- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



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02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by *) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p>Misstatements due to fraud or error*</p>	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>	<p>We will undertake our standard procedures to address fraud risk, which include:</p> <ul style="list-style-type: none"> ➤ Identifying fraud risks during the planning stages; ➤ Inquiring of management about risks of fraud and the controls put in place to address those risks; ➤ Understanding the oversight given by those charged with governance of management's processes over fraud; ➤ Considering the effectiveness of management's controls designed to address the risk of fraud; ➤ Determining an appropriate strategy to address those identified risks of fraud; and ➤ Performing mandatory procedures regardless of specifically identified fraud risks, including; <ul style="list-style-type: none"> ➤ testing of journal entries and other adjustments in the preparation of the financial statements; ➤ reviewing accounting estimates for evidence of management bias; and ➤ evaluating the business rationale for significant unusual transactions;

Our response to significant risks (continued)

<p>Misstatements due to fraud or error - the incorrect capitalisation of revenue expenditure *</p>	<p>What is the risk?</p>	<p>What will we do?</p>
<p>Financial statement impact</p> <p>We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.</p> <p>We consider the risk applies to capitalisation of revenue expenditure and could result in a misstatement of cost of services reported in the Comprehensive Income and Expenditure statement.</p>	<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively (see above).</p> <p>As the Council is more focused on its financial position over medium term, we have considered the risk of management override to be more prevalent in:</p> <ul style="list-style-type: none"> ▶ the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment (PPE) given the extent of the Council's capital programme; and ▶ the manipulation of revenue expenditure funded through capital under statute (REFCUS) through the movement in reserve statement. 	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Reviewing the appropriateness of revenue and expenditure recognition accounting policies and testing that they have been applied correctly during our detailed testing; ▶ Performing sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any revenue items that have been inappropriately capitalised; ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and ▶ Reviewing REFCUS entries in the movement in reserves statement and testing of entries to ensure they meet the accounting definition of REFCUS expenditure.

Our response to significant risks (continued)

Misstatements due to fraud or error - the incorrect application of recharges between Forest Heath District Council and St Edmundsbury Borough Council *

Financial statement impact

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We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to the incorrect application of recharges between the two Council's and could result in a misstatement of cost of services reported in the Comprehensive Income and Expenditure statement and within the level of Reserves reported within the Balance Sheet.

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively (see above).

As the Council is more focused on its financial position over medium term, we have considered the risk of management override to be more prevalent in:

- ▶ the incorrect application of recharges between the two Council's thus manipulating the financial position of one or both Council's.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Reviewing the appropriateness of recharges and that they are in line with the agreed cost sharing arrangement;
- ▶ Performing sample testing on recharge invoices to ensure that they are in line with the cost sharing agreement; and
- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements purporting to recharges.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

What will we do?

Valuation of Property, Plant and Equipment

Property, Plant and Equipment represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end fixed assets balances held in the balance sheet.

The Council have engaged their external expert for 2017/18 (Wilkes Head and Eve), to value the Councils asset base, who will apply a number of complex assumptions and assess the Councils assets to identify whether there is any indication of impairment and changes to their useful life.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach will focus on:

- ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); and agreeing this to what has been recorded in the GL.
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider circumstances that require the use of EY valuation specialists (Real Estate team) to review any material specialist assets and the underlying assumptions used;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

Audit risks

Other areas of audit focus - Continued

What is the risk/area of focus?

Pensions Liability - IAS19

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.

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.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

Our approach will focus on:

- ▶ Liaising with the auditors of the administering authority (Suffolk County Council), to obtain assurances over the information supplied to the actuary in relation to St Edmundsbury Borough Council;
- ▶ Assessing the conclusions drawn on the work of the actuary by the Consulting Actuary, PwC; and
- ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p><u>New accounting standards</u></p> <p>The Code requires the Council to comply with the requirements of two new accounting standards for 2018/19. These standards are:</p> <ul style="list-style-type: none"> • IFRS 9 - Financial Instruments <p>This new accounting standard will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.</p> <ul style="list-style-type: none"> • IFRS 15 - Revenue from contracts <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.</p> <p>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standards, transitional adjustments and planned accounting for 2018/19; ▶ Consider the classification and valuation of financial instrument assets; ▶ Review new expected credit loss model impairment calculations for assets; ▶ Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and ▶ Check additional disclosure requirements.

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03

Value for Money Risks





Value for Money

Background

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.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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

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

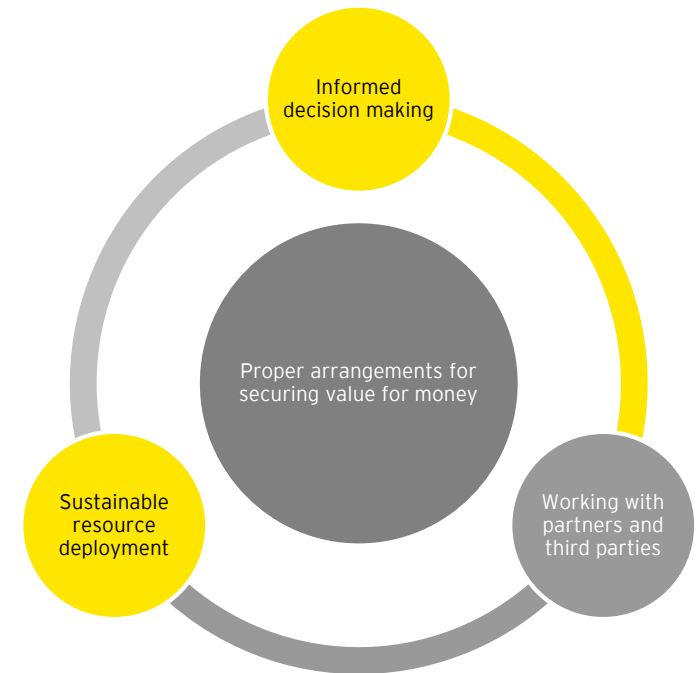
When considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by the Council to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Councils will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.





Value for Money Risks

What is the significant value for money risk?

Informed Decision Making - the move to One Council

What arrangements does the risk affect?

Following a joint application to the Secretary of State, DCLG has approved the plan which will see a parliamentary order being made to enable the West Suffolk Council to be enacted from 1 April 2019.

The Council is currently both developing its arrangements and working in shadow form ahead of the transition.

There is a risk that these shadow arrangements and developments do not allow a smooth transition to the new 'One Council' which impacts on both service delivery to local residents and to employees.

What will we do?

Our approach will focus on:

- ▶ The arrangements and workings of the Shadow Council ahead of 1 April 2019; and
- ▶ The impact of the creation of a 'single council' on the Medium Term Financial Strategy (see below).

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Sustainable resource deployment: Medium Term Financial Planning

To date the Council (St Edmundsbury) has responded well to the financial pressure resulting from the continuing economic downturn.

The Shadow Council is currently developing the Medium Term Financial Plan (MTFP) for the 'One Council' as part of the transition arrangements set out above and is setting a single budget for 2019/20.

The MTFP needs to build in expected levels of grant funding from the Local Government settlement, other income streams, as well as consider the planned savings expected from the creation of the 'One Council'. There will be a need to identify any residual savings against any identified budget gaps in the next 4 year period between 2019 to 2024 of the MTFP.

Our approach will focus on:

- ▶ Assess the adequacy of the Single Council's budget setting process;
- ▶ Challenge the robustness of key assumptions used in medium term planning;
- ▶ Review the Council's approach to prioritising resources whilst maintaining services; and
- ▶ For a sample of initiatives test the adequacy of the Council's arrangements for delivering savings/ efficiencies.



04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £1,480,000. This represents 2% of the Council's prior year gross expenditure on net Cost of Services. It will be reassessed throughout the audit process.

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Gross expenditure

£74m

Planning materiality

£1.48m

Performance materiality

£1.11m

Audit differences

£74,000

We request that the Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £1,110,000 which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Performance and Audit Scrutiny Committee, or are important from a qualitative perspective.

Specific materiality - We have set a materiality of £5,000 for remuneration disclosures, related party transactions, members' allowances and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

analytics:

- We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:
- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
 - ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Performance & Audit Scrutiny Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



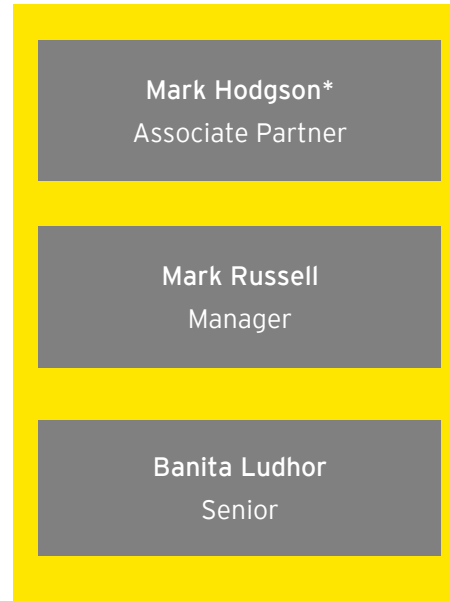
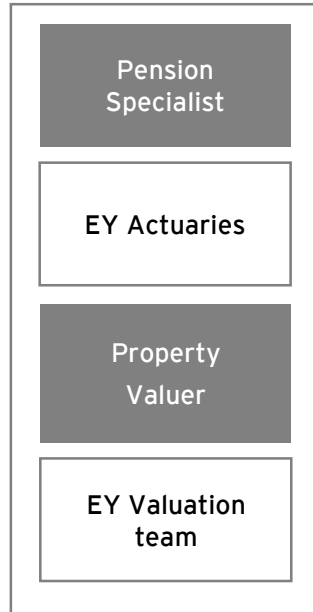
06

Audit team



Audit team

Audit team structure:



Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2018/19 audit.

We will continue to keep our audit approach under review to streamline it where possible.

Audit team

The engagement team is led by Mark Hodgson, who has significant experience on Local Authorities and their audits. Mark Hodgson is supported by Mark Russell who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team.

* Key Audit Partner

Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pension valuations and disclosures	Management expert - actuarial specialists to the Suffolk Pension Fund (Hymans Robertson) EY pensions advisory, PwC (Consulting Actuary to the PSAA)
Property, Plant and Equipment, and Investment Properties	Management expert - valuation specialists Wilkes, Head & Eves EY valuations expert - Solar Farm valuation
Fair value of financial instrument disclosure	Management expert - for the provision of fair value information in respect of financial instruments (Capita Asset Services)
National Domestic Rates Provision valuation	Management expert - valuation of the NDR provision (Wilkes, Head & Eves)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





Audit timeline

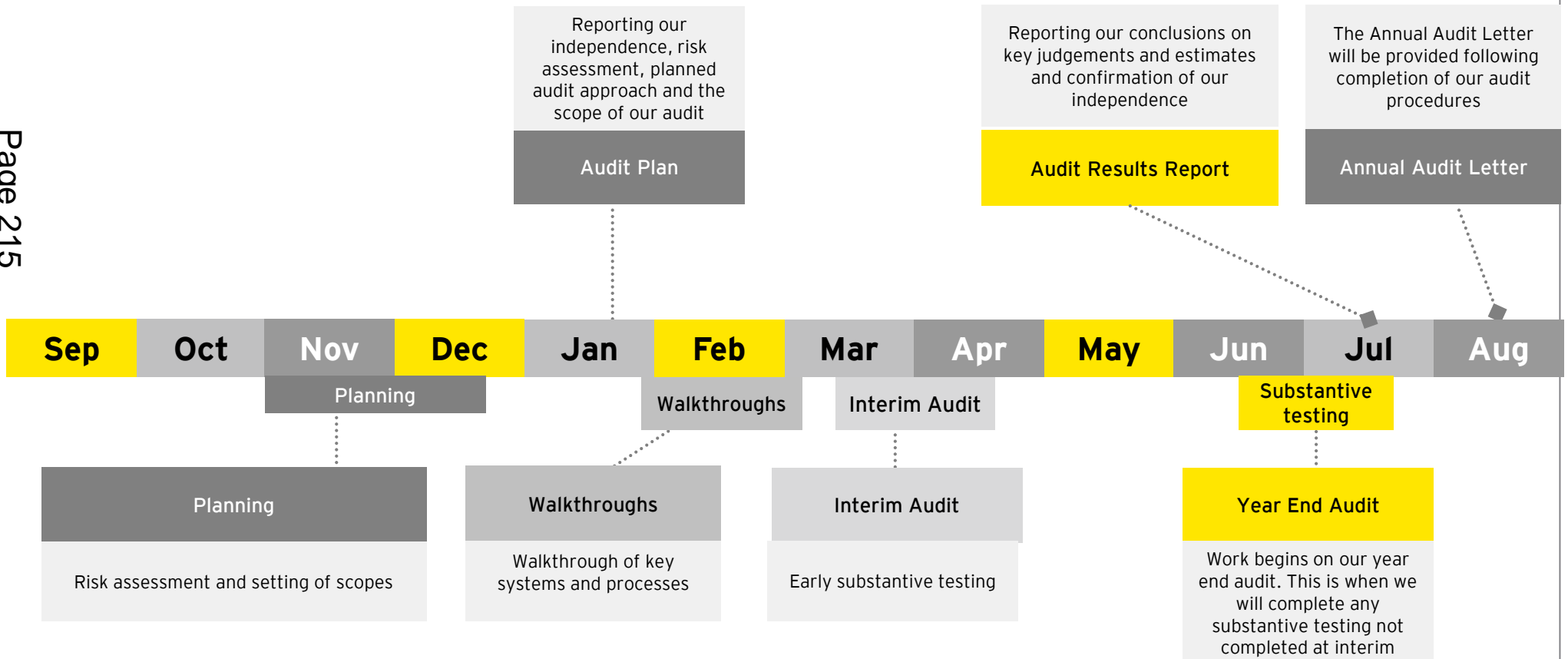
Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Performance & Audit Scrutiny Committee and we will discuss them with the Performance & Audit Scrutiny Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 44%. This is based on the planned fee for the agreed upon procedures work for the Housing Benefits certification work. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

Description of service	Related independence threat	Period provided/duration	Safeguards adopted and reasons considered to be effective
<p>We have been engaged to undertake the audit of the Housing Benefits Subsidy Claim 2018/19. The agreed upon procedures on the certification arrangements are due to start in April.</p> <p>Page 219 Our current fee level is £14,960 however we will update you should this amount change.</p>	<p>Self review threat - figures included in the return are also included in the 2018/19 financial statements.</p>	<p>Relates to 2018/19 return for the period to 31 March 2019.</p>	<p>We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2018/19.</p> <p>The agreed upon procedures focus on the specific requirements of the certification arrangements and we place limited reliance on this work for the purposes of the financial statements audit. No other threats to independence have been identified.</p>

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

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<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s
Total Fee - Code work	33,701	33,701	43,767
Total audit	33,701	33,701	43,767
Other non-audit services: Housing Benefits Certification (Note 1)	14,960	-	21,700
Total other non-audit services	14,960	-	21,700
Total fees	48,661	33,701	65,467

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Note 1

From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

- ▶ As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing benefit subsidy claim. There is therefore no scale fee prescribed by PSAA as it is now no longer within their remit.
- ▶ The planned fee shown, is based on the level of error within the current claim and the work required to certify that. This may change dependent on the level of error within the claim under review.

All fees exclude VAT



Appendix B

Required communications with the Performance & Audit Scrutiny Committee

We have detailed the communications that we must provide to the Performance & Audit Scrutiny Committee.



Our Reporting to you



Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Performance & Audit Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - January 2019
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - July 2019

Appendix B

Required communications with the Performance & Audit Scrutiny Committee (continued)






Our Reporting to you

Required communications	 What is reported?	 When and where
Going concern Financial statements	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - July 2019
	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - July 2019
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Performance & Audit Scrutiny Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - July 2019
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - July 2019




Appendix B

Required communications with the Performance & Audit Scrutiny Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan - January 2019; and Audit Results Report - July 2019
Internal confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - July 2019
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Performance and Audit Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Performance and Audit Scrutiny Committee may be aware of. 	Audit Results Report - July 2019
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - July 2019 Annual Audit Letter - September 2019

Appendix B

Required communications with the Performance & Audit Scrutiny Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - July 2019
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - July 2019
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - July 2019
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - January 2019 Audit Results Report - July 2019
Certification work	Summary of certification work undertaken	Annual Certification report - December 2019

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Performance & Audit Scrutiny Committee reporting appropriately addresses matters communicated by us to the Performance & Audit Scrutiny Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Informal Performance and Audit Scrutiny Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan	
Report No:	PAS/SE/19/006	
Report to and dates:	Performance and Audit Scrutiny Committee	31 January 2019
	Shadow Executive (Cabinet)	5 February 2019
	Shadow Council	19 February 2019
Portfolio holders:	<p>Councillor Ian Houlder Portfolio Holder for Resources and Performance Tel: 01359 250912 Email: ian.houlder@stedsbc.gov.uk</p> <p>Councillor Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01799 530325 Email: Stephen.edwards@forest-heath.gov.uk</p>	
Lead officer:	<p>Greg Stevenson Service Manager (Finance and Performance) Tel: 01284 757264 Email: Gregory.stevenson@westsuffolk.gov.uk</p>	
Purpose of report:	The purpose of this report is to update members on progress made towards delivering a balanced budget for 2019/2020 and sustainable budget in the medium term.	

Recommendation:		Performance and Audit Scrutiny Committee:	
		<p>It is <u>RECOMMENDED</u> that members:</p> <p>1) Consider and agree the approach and timescales for the 2019/2020 budget setting process and medium term plans for West Suffolk Council.</p> <p>2) Recommends to the Shadow Executive (Cabinet), the inclusion of the proposals, as detailed in <u>Section 2</u> and <u>Table 1</u> of Report No: (PAS/SE/19/006), be approved.</p>	
Key Decision: <i>(Check the appropriate box and delete all those that do not 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>	
Consultation:		<ul style="list-style-type: none"> Engagement with Leadership team (LT), Portfolio Holders and staff will take place during this budget process 	
Alternative option(s):		<ul style="list-style-type: none"> Other approaches could be proposed and considered by members. They would need to take into account core principles such as deliverability, affordability and risk. 	
Implications:			
Are there any financial implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> As detailed in the body of this report	
Are there any staffing implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any ICT implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
Are there any legal and/or policy implications? <i>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.	
Are there any equality implications? <i>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 any service changes.	
Risk/opportunity assessment:		<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*

Lack of approach results in an unsustainable 2019-20 budget for West Suffolk	Medium	Approval of the proposed approach set out in this paper	Low
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 2019/20 and rules therein.	Low	Constant monitoring of guidance issued and reflection in assumption	Low
Ward(s) affected:	All Wards		
Background papers: <i>(all background papers are to be published on the website and a link included)</i>	Shadow Executive Agenda 17 July 2018 – Item 5 West Suffolk Council – Setting the Strategic Context for the Development of the 2019/2020 Budget and Medium Term Financial Plans Informal Joint PASC – Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium term Plan – Report No: PAS/SE/18/035		
Documents attached:	None		

1. Key issues and reasons for recommendation(s)

- 1.1 At its meeting of 17 July 2018, Shadow Council supported the recommendations from the Shadow Executive- Cabinet (Report no. EXC/SA/18/002) regarding the adoption of the new West Suffolk Council's Strategic Framework and Medium Term Financial Strategy (supported by the Capital Strategy).
- 1.2 The interaction between the agreed West Suffolk Strategic Framework 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.
- 1.3 Shadow Council was also asked to support the key principles set out in report EXC/SA/18/002 for the development of the 2019-20 budget and medium term financial plans for the new West Suffolk Council, set out below at 1.4 for ease of reference. Recognising the important role Performance and Audit Scrutiny Committees plays in the development of the budget, it was also agreed that a report be brought to this committee meeting, setting out the proposed approach to achieve these principles.
- 1.4 The approach to setting the 2019/20 budget along with the medium term financial strategy is to follow the below principles;
 - The 2019-20 budget and medium term plans will continue to follow the West Suffolk Councils Strategic Framework (three priorities) and Medium Term Financial Strategy (six themes).
 - The process will take into account the agreed Single Council Business Case in respect of saving proposals and Council Tax harmonisation
 - A simple approach will be followed where, unless there is good reason to do so differently (see next section on proposed approach/review areas), a 1+1=2 approach will be taken (i.e., the two current budgets are added together to form the West Suffolk Council budget)
 - The approach will seek to achieve a minimum 2 year balanced budget for 2019-2021 and will provide confidence in achieving a balanced longer term position
 - The approach will take the opportunity to consider overall Single Council Financial Resilience in our approach (which may include some external support, i.e. Chartered Institute of Public Finance and Accounting - CIPFA)
 - The process will continue to communicate the overall West Suffolk financial challenges and opportunities through the medium term financial strategy to Leadership Team, staff, cabinet and all councillors.

2. Progress and Budget Assumption

2.1 At the November PASC the budget position was reported as a gap of £41k for 2019/20 and £391k for 2020/21 in report PAS/SE/18/035 - Approach to Delivering a Sustainable West Suffolk Budget 2019-2020 and Medium Term Plan. This position included the following set of trends:

- The lower growth trend in car parking income as seen in 2018/19 and anticipated to continue into 2019/20.
- The increased cost relating to recycling charge per tonne.
- The estimated impact of revising the pay-line.
- The new business case for Barley Homes.
- Improved pricing fixed for 2019/20 on the Solar Farm tariffs.
- Increased income generated from Trade Waste and other Operations activities.

This net position was offset by reduced corporate costs and temporary use of reserves to support the revised Growth Fund outlook and reduce the volatility on the recycling charges.

2.2 This position has been updated to account for the revised capital programme and cashflow assumptions. This information gives rise to a budget that is balanced for 2019/20 and 2020/21.

The updated position for each year is laid out in the table below.

Table 1: Proposals for Budget Gap closure for 2019-23

	2019/20	2020/21	2021/22	2022/23
Budget Gap as at PASC 28/11/18	41	391	2,434	3,277
Revised Interest Payable (revised borrowing date)	(274)	(369)	(326)	(327)
Revised Interest Receivable (revised borrowing date)	299	373	379	370
Revised MRP (based on revised project timing)	(252)	(263)	75	78
Unallocated Project Spend - Capital Costs	227	0	0	0
Extend assumption on Solar Pricing	0	(160)	(160)	0
Other minor changes	(41)	28	(124)	144
Total Proposed Solutions	(41)	(391)	(156)	265
Final Budget Position	0	0	2,278	3,542

2.3 These further proposed solutions primarily relate to the phasing of the West Suffolk cash balances and the associated need for borrowing. The current cashflow forecast, based upon the capital programme, shows borrowing will be required in Q4 of 2019/20. The previous MTFS assumed a full years borrowing for the full Growth Fund and other capital projects.

2.4 An unallocated capital project budget of £3.0m has been included in the capital programme to be called upon for as yet unspecified capital requirements. This amount has been assumed to be fully funded from borrowing with an associated MRP cost.

- 2.5 The budget gap for the future years beyond 2021 is significant but given the expectation of changes to local government funding due to come out of the Fair Funding Review. A consultation has been issued on the needs and resources assessment and the associated business rates retention review. The deadline for response on these issues is 21st February 2019. Further clarification is anticipated in Spring/Summer 2019 with a potential transition date of April 2020.
- 2.6 The current position from MHCLG is for a full reset of the baseline funding level through business rates retention. This would have the effect of stripping out any business rates retained as a result of growth over the existing baseline. This would be a loss of income of £1.5m in 2020/21 versus this MTFS.
- 2.7 This budget assumes no change to the 7 year Council Tax plan for harmonization between St Edmundsbury and Forest Heath.
- 2.8 It is important to note that there are limitations on the degree that all of the potential changes within its medium term financial projections can be identified. The financial environment that we operate in is constantly changing and will be subject to significant change over time.

3. Capital Programme

- 3.1 The Capital Programme has been revised and updated with known changes and is summarised in the table below.

Project Description	2018/19	2018/19	2018/19	2019/20	2020/21	2021/22	2022/23
	Revised Budget	Forecast Spend	Carry Forward Requested	Total Budget	Total Budget	Total Budget	Total Budget
Total Project Spend	95,324,352	26,323,099	63,750,709	17,223,177	16,196,000	1,829,000	2,723,126
Unallocated Capital	0	0	0	3,000,000	0	0	0
Total Capital Spend	95,324,352	26,323,099	63,750,709	20,223,177	16,196,000	1,829,000	2,723,126

- 3.2 The carry forward from the 2018/19 budget is estimated to be £63.7m and will be added to the 2019/20 budget at year-end. This will make a total capital programme spend for 2019/20 of £74.4m.
- 3.3 This carry forward includes the full amount of the remaining Growth Fund (£34.5m), Mildenhall Hub (£9.0m), 19/20 Cornhill (£6.3m) and the WSOH (£3.6m).
- 3.4 The funding for the 4 Year Budget plan will be as follows:

Project Description	2019/20 Total Budget £	2020/21 Total Budget £	2021/22 Total Budget £	2022/23 Total Budget £
Capital Receipts	2,736,000	2,450,000	250,000	250,000
Capital Borrowing	14,533,177	10,284,000	0	0
Earmarked Reserves	2,054,000	2,562,000	679,000	1,573,126
Grants & Contributions	900,000	900,000	900,000	900,000
Total Capital Financing:	20,223,177	16,196,000	1,829,000	2,723,126

4. Reserve Balances

- 4.1 The reserve movements as a result of the revenue and capital plans are as follows:

£m	2018/19	2019/20	2020/21	2021/22	2022/23
Strategic	14.8	4.9	4.8	4.9	5.6
Financial Planning	9.3	9.5	10.0	11.1	12.3
Service Delivery	8.4	6.8	5.1	5.3	4.6
S106	1.3	1.1	1.0	0.9	0.8
Other	0.6	0.6	0.6	0.6	0.6
Closing Reserve Balances	34.3	22.9	21.4	22.8	23.9

- 4.2 The usage of the Strategic Priorities and MTFS reserve for the capital programme (Budget and the estimated carry forward from 2018/19) and support of the revenue budget results in the reduction of the overall reserve position. This is still 42% of our annual expenditure for 2022/2023.

5. Timescales and Next Steps

- 5.1 The following high level timetable was supported by the Shadow Executive and considered by Shadow Council recently.

Action	Timescales
PASC report(s) – delivering a sustainable budget update report	31 January 2018
Member Development Session(s) and briefing(s) – MTFS	23 January, 14 February 2019
Shadow Executive – 2019-20 Budget and Council Tax setting report	5 February 2019
Shadow Council - 2019-20 Budget and Council Tax setting report	19 February 2019
West Suffolk budget – implementation/go live date	1 April 2019

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Treasury Management Sub-Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Treasury Management Strategy Statement 2019-2020 and Treasury Management Code of Practice	
Report No:	TMS/SE/19/002	
Report to and date/s:	Treasury Management Sub-Committee	21 January 2019
	Performance and Audit Scrutiny Committee	31 January 2019
	Shadow Executive (Cabinet)	5 February 2019
	Shadow Council	19 February 2019
Portfolio holder:	Councillor Ian Houlder Portfolio Holder for Resources and Performance Tel: 01284 810074 Email: ian.houlder@stedsbc.gov.uk	
Lead officer:	Greg Stevenson Service Manager - Finance & Performance Tel: 01284 757264 Email: Gregory.stevenson@westsuffolk.gov.uk	
Purpose of report:	To seek approval of Treasury Management Strategy Statement (including Treasury related Prudential Indicators) and Treasury Management Code of Practice.	
Recommendation:	<p>The Treasury Management Sub-Committee is asked to:</p> <ul style="list-style-type: none"> (1) Make recommendations to Shadow Executive (Cabinet) and Shadow Council regarding the approval of the Treasury Management Strategy Statement 2019-2020 (as set out in Appendix 1); and (2) Make recommendations to Shadow Executive (Cabinet) and Shadow Council regarding the approval of the Treasury Management Code of Practice (as set out in Appendix 2). 	

Key Decision:	<i>Is this a Key Decision and, if so, under which definition?</i> No, it is not a Key Decision - <input checked="" type="checkbox"/>
Consultation:	<ul style="list-style-type: none"> Treasury management activities are currently undertaken in consultation with Arlingclose Ltd, (the Councils appointed Treasury Management advisers) and also takes into account information obtained from investment brokers and other economic commentators. The committee provides for the scrutiny of treasury management strategies and performance, with changes in strategies and policies subject to approval by Cabinet and full Council.
Alternative option(s):	<ul style="list-style-type: none"> Options for the management of Council investments are formally considered within the Annual Treasury Management Strategy Statement.
Implications:	
<i>Are there any financial implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> Total budgeted interest receipts from investments, included in the MTFS, for 2019/20 is £142k* Total budgeted interest payable on loans, included in the MTFS, for 2019/20 is £682k* <small>*Please note, these figures are provisional budget figures and may be subject to change during the budget setting approval process.</small>
<i>Are there any staffing implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<i>Are there any ICT implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<i>Are there any legal and/or policy implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<i>Are there any equality implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

Risk/opportunity assessment:		<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*
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. Use of interest equalisation reserve to smooth out year-on-year fluctuations	Medium
Bank and building society failure resulting in loss of Council funds.	High	Use of Arlingclose advice on counterparty credit ratings (based on Fitch, S&P and Moody ratings) and the setting of lending limits. Use of non-rated building societies based on asset base and additional credit checks	Medium
Ward(s) affected:		All Wards	
Background papers: <i>(all background papers are to be published on the website and a link included)</i>		SEBC Treasury management Code of Practice 2018-2019 (TMS.SE.18.002) SEBC Treasury Mgt Policy Statement Investment Strategy 2018-19 (TMS.SE.18.002) FHDC Treasury Mgt Policy Statement Investment Strategy 2018-19 (PAS.FH.18.009) FHDC Credit Rating Definitions (PAS.FH.18.009) FHDC Treasury Management Code of Practice 2018 (PAS.FH.18.009) FHDC List of Approved Organisations for Investments 2018-19 (PAS.FH.18.009)	
Documents attached:		Appendix 1 – Treasury Management Strategy Statement 2019/2020 Appendix 2 – Treasury Management Code of Practice 2019/2020	

1. Key issues and reasons for recommendation(s)

1.1 Treasury Management Strategy Statement

- 1.1.1 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice requires that, prior to the start of each financial year, the Council formally approve a Treasury Management Policy Statement and Investment Strategy which sets out its treasury management policy and strategy for the forthcoming year.
- 1.1.2 The purpose of this report is to present those strategy statements to the Treasury Management Sub-Committee for consideration.

1.2 Treasury Management Code of Practice

- 1.2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) recommend that all Councils adopt a Treasury Management Code of Practice based on the treasury management practices published by CIPFA and guidance issued in their Code of Practice.
- 1.2.2 Adherence to the principles of the CIPFA Code should ensure that Treasury Management activities within the Council are effectively managed and adequately controlled.

2. Additional supporting information

2.1 Treasury Advisors

- 2.1.1 Following a procurement exercise, Arlingclose Ltd, have been appointed as treasury advisors to West Suffolk Council.
- 2.1.2 The Treasury Management Strategy Statement & Code of Practice have been compiled in line with advice from Arlingclose.

2.2 Counterparty Ratings

- 2.2.1 The Council uses the Arlingclose credit rating method in conjunction with information available from other industry sources to identify suitable counterparties for investments.

2.2.2 Approved investment counterparties and limits

Credit Rating	Banks Unsecured	Banks Secured	Pooled Funds
AAA	£6m 5 years	£12m 20 years	£12m 20 years
AA+	£6m 5 years	£12m 10 years	£12m 15 years
AA	£6m 4 years	£10m 5 years	£10m 15 years
AA-	£6m 3 years	£10m 4 years	£10m 10 years

A+	£6m 2 years	£8m 3 years	£8m 5 years
A	£6m 13 months	£8m 2 years	£8m 5 years
A-	£6m 6 months	£6m 13 months	£6m 5 years
None	£1m 6 months	n/a	£1m 5 years
UK Government	£Unlimited, 50 Years		
Other UK Local Authorities	Using Arlingclose Rating Formula (Per iDeal trade platform) Gold - £12m, 5 years Silver - £10m, 5 years Bronze - £8m, 5 years		

3. Interest Rate Projections

3.1 The following table shows the revised interest rate based on the current economic climate.

	Previous Strategy	New Strategy
2019/20	0.90%	0.90%
2020/21	1.25%	1.00%
2021/22	1.50%	1.10%
		1.25%

Projections have been revised down due to slower interest rate rises than originally predicted by the Bank of England and re-profiling of the Council's capital programme.

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WEST SUFFOLK COUNCIL

Treasury Management Strategy Statement 2019/20

Introduction

Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.

Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.

Investments held for service purposes or for commercial profit (non-treasury investments) are considered in a different report, the Investment Strategy, which is approved by Council and is available on our website.

External Context

Economic background: The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20.

UK Consumer Price Inflation (CPI) for October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The October 2018 labour market data showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.

While US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Markets continue to expect one more rate rise in December, but expectations are fading that the further hikes previously expected in 2019 will materialise as concerns over trade wars drag on economic activity.

Credit outlook: The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

Interest rate forecast: Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity (*at the time of writing this commentary*). As such, the risks to the interest rate forecast are considered firmly to the downside.

Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix A.

For the purpose of setting the budget, it has been assumed new long-term loans will be borrowed at a rate between 2.75%-3% and that new investments will be made at an average rate as follows:

- 2019/20 – 0.90%
- 2020/21 – 1.00%
- 2021/22 – 1.10%
- 2022/23 – 1.25%

Local Context

On 31st December 2018, the Authority held £4m of borrowing and £64.1m of investments. This is set out in further detail at **Appendix B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.18 Actual £m	31.3.19 Approved Budget £m	31.3.19 Forecast £m	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m
Capital Financing Requirement (CFR)	8.3	65.7	24.4	77.9	77.1	76.4
Less: External borrowing*	4	4	4	4	4	4
Internal (over) borrowing	4.3	61.7	20.4	73.9	73.1	72.4
Less: Usable reserves	-50.9	-41.94	-31.09	-21.97	-18.08	-19.37
Less: Working capital**	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8
Investments (or New borrowing)	-55.4	10.9	-19.5	43.1	46.2	44.2

*shows only loans to which the Authority is committed and excludes optional refinancing

**assumes working capital remains consistent

Please note, these figures are provisional budget figures and may be subject to change during the budget setting approval process.

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Authority has an increasing CFR due to its capital programme. Consequently, investments are forecast to fall to approx. £10m in year as capital receipts and revenue reserves are used to finance that capital expenditure and to finance the revenue budget.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2019/20.

Liability benchmark: To compare the Council’s actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and investment balances are kept to a minimum level of £6m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	31.3.18 Actual £m	31.3.19 Approved Budget £m	31.3.19 Forecast £m	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m
Capital Financing Requirement (CFR)	8.3	65.7	24.4	77.9	77.1	76.4
Less: Usable reserves	-50.9	-41.94	-31.09	-21.97	-18.08	-19.37
Less: Working capital	-8.8	-8.8	-8.8	-8.8	-8.8	-8.8
Plus: Minimum investments	6	6	6	6	6	6
Liability Benchmark	-45.4	20.9	-9.5	53.1	56.2	54.2

Borrowing Strategy

The Authority currently holds a £4million loan, consistent with the previous year, as part of its strategy for funding previous years’ capital programmes. The balance sheet forecast in table 1 shows that the Authority expects to externally borrow around £43m in 2019/20. The Authority may also borrow additional sums to pre-fund future years’ requirements, providing this does not exceed the authorised limit for borrowing of £70.7 million.

Objectives: The Authority’s chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority’s long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates,

it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal / short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow further short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Suffolk County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Authority has previously raised all of its long-term borrowing from the commercial loan market but it continues to investigate other sources of finance, such as local authority loans and PWLB loans that may be available at more favourable rates.

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

Lender's Option Borrower's Option Loans (LOBOs): The Authority entered into a 70year £4m LOBO loan on 31 March 2008, where the lender had the option to propose an increase in the interest rate at set dates, following which the Authority had the option to either accept the new rate or repay the loan at no additional cost. However, in 2016/17 Barclays wrote to the council confirming their decision to waive their right to change the applicable interest rate of this loan, effectively changing this loan to a fixed rate loan.

Short-term and variable rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment Strategy

The Authority currently holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £52.4m and £66.3m. During 2019/20 and in future years, due to the Authority's Capital Programme, these levels are expected to fall dramatically.

Objectives: The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2019/20 (further details in the Approved counterparties section below). This is especially the case for the Authority's surplus cash currently invested in short-term unsecured bank/building society deposits. This diversification will represent a change in strategy over the coming year.

Business models: Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table 3 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 3: Approved investment counterparties and limits

Credit Rating	Banks Unsecured	Banks Secured	Pooled Funds
AAA	£6m 5 years	£12m 20 years	£12m 20 years
AA+	£6m 5 years	£12m 10 years	£12m 15 years
AA	£6m 4 years	£10m 5 years	£10m 15 years
AA-	£6m 3 years	£10m 4 years	£10m 10 years
A+	£6m 2 years	£8m 3 years	£8m 5 years
A	£6m 13 months	£8m 2 years	£8m 5 years
A-	£6m 6 months	£6m 13 months	£6m 5 years
None	£1m 6 months	n/a	£1m 5 years

UK Government	£Unlimited, 50 Years
Other UK Local Authorities	Using Arlingclose Rating Formula (Per iDeal trade platform) Gold - £12m, 5 years Silver - £10m, 5 years Bronze - £8m, 5 years

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Pooled funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

UK Government: Loans, bonds and bills issued or guaranteed by government. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Operational bank accounts: The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial

market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Investment limits: The Authority's revenue reserves available to cover investment losses are forecast to be nearly £30 million on 31st March 2019. In order that no more than 40% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £12 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£12m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£12m per group
Any group of pooled funds under the same management	£12m per manager
Negotiable instruments held in a broker's nominee account	£12m per broker
Foreign countries	£3m per country
Unsecured investments with building societies	£6m in total
Money market funds	£12m in total

Liquidity management: The Authority uses a cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

Treasury Management related Prudential Indicators

The Authority’s overall Treasury Management Strategy and Code of Practice links into the Council’s Prudential Indicators and Minimum Revenue Provision Policy which are subject to separate reports to Council. A summary of the treasury related indicators is as follows, however these may be subject to change during the final budget setting processes. The final Prudential Indicator figures will be approved by Council in February.

	2018/19 Approved	2018/19 Revised	2019/20 Budget	2020/21 Budget	2021/22 Budget
	£,000	£,000	£,000	£,000	£,000
Authorised limit for external debt					
Borrowing	77,653	59,392	70,693	70,693	70,693
Other long term liabilities	0	0	0	0	0
TOTAL	77,653	59,392	70,693	70,693	70,693
Operational boundary for external debt					
Borrowing	69,888	53,453	63,623	63,623	63,623
Other long term liabilities	0	0	0	0	0
TOTAL	69,888	53,453	63,623	63,623	63,623
Maturity Structure of Borrowing	%	%	%	%	%
Upper Limit for % of borrowing maturing in:					
• Under 12 Months	20%	20%	20%	20%	20%
• 1 - 2 years	20%	20%	20%	20%	20%
• 2 - 5 years	20%	20%	20%	20%	20%
• 5 - 10 years	20%	20%	20%	20%	20%
• Over 10 years	100%	100%	100%	100%	100%
The lower limit for all periods	0%	0%	0%	0%	0%
Upper limit for total principal sums invested	20,000	20,000	10,000	6,000	3,000

for over 364 days (per maturity date)					
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Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities’ use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Markets in Financial Instruments Directive: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority’s treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

Financial Implications

The budget for investment income in 2019/20 is £142k, based on an average investment portfolio of £15.7million at an interest rate of 0.90%. The budget for debt interest paid in 2019/20 is £682k. Please note, these figures are provisional budget figures and may be subject to change during the budget setting approval process.

If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Section 151 Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

**Appendix A – Arlingclose Economic & Interest Rate Forecast
December 2018****Underlying assumptions:**

- Our central interest rate forecasts are predicated on there being a transitional period following the UK's official exit from the EU.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.
- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.
- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.
- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.
- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening – previous hikes and heightened expectations will, however, slow economic growth.
- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitional period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

APPENDIX 1

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	0.75	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.13
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-0.85
3-mth money market rate														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.17
Arlingclose Central Case	0.90	0.95	1.10	1.30	1.40	1.40	1.40	1.35	1.35	1.35	1.35	1.35	1.35	1.27
Downside risk	-0.20	-0.45	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.76
1-yr money market rate														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.33
Arlingclose Central Case	1.15	1.25	1.35	1.50	1.70	1.60	1.50	1.40	1.35	1.35	1.35	1.35	1.35	1.40
Downside risk	-0.35	-0.50	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	-0.77
5-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.15	1.25	1.35	1.50	1.50	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.33
Downside risk	-0.50	-0.60	-0.65	-0.80	-0.80	-0.70	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.66
10-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.50	1.65	1.70	1.80	1.80	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Downside risk	-0.55	-0.70	-0.70	-0.80	-0.80	-0.75	-0.75	-0.70	-0.70	-0.70	-0.70	-0.70	-0.70	-0.71
20-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	2.00	2.10	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.18
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
50-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.37
Arlingclose Central Case	1.90	1.95	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.99
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%

PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Appendix B – Existing Investment & Debt Position

West Suffolk (Forest Heath & St Edmundsbury combined)				
Investments held as at 31 December 2018				
Counterparty	Principal Amount	Interest Rate	Date Loaned	Date Returned
Newcastle B/Soc	1,000,000	0.98%	19/03/2018	19/03/2019
Newcastle B/Soc	1,500,000	0.80%	18/06/2018	19/03/2019
Newcastle B/Soc	1,000,000	0.77%	25/06/2018	21/01/2019
Principality B/Soc	1,000,000	0.78%	11/07/2018	22/02/2019
Nationwide B/Soc	2,500,000	0.68%	13/07/2018	02/01/2019
Principality B/Soc	1,000,000	0.78%	16/07/2018	18/12/2019
National Counties B/Soc	2,500,000	0.88%	01/08/2018	15/02/2019
Nottingham B/Soc	1,000,000	0.85%	01/08/2018	15/02/2019
Coventry B/Soc	3,000,000	0.81%	15/08/2018	19/03/2019
Leeds B/Soc	1,500,000	0.77%	15/08/2018	22/03/2019
Nottingham B/Soc	3,000,000	0.86%	03/09/2018	04/03/2019
Leeds B/Soc	2,000,000	0.82%	26/09/2018	19/02/2019
Leeds B/Soc	1,000,000	0.85%	03/10/2018	15/03/2019
Leeds B/Soc	1,000,000	0.81%	15/10/2018	22/02/2019
Principality B/Soc	1,500,000	0.75%	29/10/2018	21/01/2019
Yorkshire B/Soc	1,000,000	0.76%	01/11/2018	04/02/2019
Yorkshire B/Soc	1,000,000	0.78%	01/11/2018	19/02/2019
Yorkshire B/Soc	2,000,000	0.75%	01/11/2018	15/01/2019
Coventry B/Soc	2,000,000	0.77%	01/11/2018	18/03/2019
Yorkshire B/Soc	1,000,000	0.78%	01/11/2018	19/02/2019
Principality B/Soc	1,000,000	0.76%	01/11/2018	19/02/2019
Coventry B/Soc	1,000,000	0.67%	15/11/2018	11/02/2019
Nottingham B/Soc	1,000,000	0.80%	03/12/2018	11/03/2019
National Counties B/Soc	2,000,000	0.75%	03/12/2018	21/01/2019
Newcastle B/Soc	2,000,000	0.67%	03/12/2018	21/01/2019
Yorkshire B/Soc	1,500,000	0.77%	03/12/2018	11/03/2019
Principality B/Soc	1,500,000	0.99%	21/12/2018	21/06/2019
Santander 365 Day	8,000,000	1.15%	365 day	notice
Santander 180 Day	1,000,000	0.95%	180 day	notice
Lloyds 95 Day Account	2,400,000	0.80%	95 day	notice
Santander 95 Day	500,000	0.85%	95 day	notice
Bank of Scotland C/A	8,300,000	0.65%	Call	
Barclays FIBCA *plus 0.1% annual bonus if average annual balance is over £1m	2,350,000	0.50%*	Call	
NatWest LSA	50,000	0.015%	Call	
TOTAL	64,100,000			

West Suffolk (Forest Heath & St Edmundsbury combined) External Borrowing (Debt) as at 31 December 2018				
Counterparty	Principal Amount	Interest Rate	Date Loaned	Date Returned
Barclays Bank Plc	4,000,000	4.24%	31/03/2018	31/03/2078

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Treasury Management

Code of Practice

INTRODUCTION

This Treasury Management Code of Practice has been compiled in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes 2017 ("the CIPFA Code").

Adherence to the principles of the CIPFA Code should ensure that Treasury Management activities within the authority are effectively managed and adequately controlled.

This Treasury Management Code of Practice has been written in conjunction with the Council's Treasury Management Policy Statement and Investment Strategy 2018/19.

Section 4H paragraphs 8.1 to 8.5 of the Council's Constitution also contains information regarding Treasury Management procedure rules, these are in line with this Code.

DEFINITIONS

For the purposes of this Code, "Treasury Management Activities" is defined as:-

"The management of the Local Authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of the optimum performance consistent with those risks."

'Investments' in the definition above covers all the financial assets of the Council, as well as other non-financial assets which the organisation holds primarily for financial returns, such as investment property portfolios. This may therefore include investments which are not managed as part of the normal treasury management or under treasury management delegations. All investments require an appropriate investment management and risk management framework under this Code.

PURPOSE OF THE CIPFA CODE

CIPFA produced the Code and the accompanying guidance notes to help satisfy nine main purposes:

- To assist public service organisations in the development and maintenance of firm foundations and clear objectives for their treasury management activities, and thereby to add to their credibility in the public eye.
- To emphasise the overriding importance of effective risk management as the foundation for treasury management in all public service bodies.
- To provide transparency for treasury management decisions including the use of counterparties and financial instruments that individual public service organisations intend to use for the prudent management of their financial affairs.
- To encourage the pursuit of value for money in treasury management, and to promote the reasoned use, development and appreciation of appropriate and practical measures of performance.
- To enable CIPFA Members to fulfil their professional and contractual responsibilities to the organisations they serve and, in accordance with the

members' charter, "to maintain and develop the professional competence of both themselves and those they supervise".

- To help facilitate a standardisation and codification of treasury management policies and practices in the public services.
- To assist those involved in the regulation and review of treasury management in the public services, particularly those charged with the audit of the same.
- To foster a continuing debate on the relevance and currency of the statutory and regulatory regimes under which treasury management in the various parts of the public services operates.
- To further the understanding and confidence of, and to act as a reference work for, financial and other institutions whose businesses bring them into contact with the treasury management activities of public service organisations.

TREASURY MANAGEMENT PRACTICES

The following Treasury Management Practices (TMPs) are incorporated in the Treasury Management Code of Practice in accordance with CIPFA Guidance:-

TMP 1	Risk management
TMP 2	Performance measurement
TMP 3	Decision making and analysis
TMP 4	Approved instruments, methods and techniques
TMP 5	Organisation, clarity and segregation of responsibilities and dealing arrangements
TMP 6	Reporting requirement and management information arrangements
TMP 7	Budgeting, accounting and audit arrangements
TMP 8	Cash and cash flow management
TMP 9	Money laundering
TMP 10	Training and qualifications
TMP 11	Use of external service providers
TMP 12	Corporate governance

TMP 1 Risk Management

General Statement

This Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures will cover all external investments.

The Section 151 Officer or Deputy Section 151 Officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedule to this document.

1. **Credit and Counterparty Risk Management**

Definition: *The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.*

The Council will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its treasury management investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques and listed in the schedule to this document. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

2. **Liquidity Risk Management**

Definition: *The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will thereby be compromised.*

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/services objectives.

This Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

3. **Interest Rate Risk Management**

Definition: *The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.*

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications. It will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

The Council also has an interest equalisation reserve which, if necessary, can be used to help smooth out the level of interest received due to fluctuations in interest rates.

4. Exchange Rate Risk Management

Definition: *The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.*

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

5. Inflation Risk Management

Definition: *Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.*

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the Council's inflation exposures.

6. Refinancing Risk Management

Definition: *The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.*

The Council will ensure where applicable that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

7. Legal and Regulatory Risk Management

Definition: *The risk that the organisation itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.*

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such

activities. In framing its credit and counterparty policy under TMP1(1) credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

8. **Fraud, Error and Corruption, and Contingency Management**

Definition: *The risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk commonly referred to as operational risk.*

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements to these ends. Further information regarding this is set out in the schedule to this document.

9. **Price Risk Management**

Definition: *The risk that, through adverse market fluctuations in the value of the principal sums an organisation invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.*

The Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

TMP 2 Performance Management

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the schedule to this document.

TMP 3 Decision-Making and Analysis

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purpose of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the schedule to this document.

TMP 4 Approved Instruments, Methods and Techniques

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 Risk management.

Where this Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

The Council has reviewed its classification with financial institutions under MiFID II and keeps a record of those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

TMP 5 Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Section 151 Officer or Deputy Section 151 Officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirement and management information arrangements, and the implications properly considered and evaluated.

The Section 151 Officer or Deputy Section 151 Officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Section 151 Officer or Deputy Section 151 Officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed within this document.

The Section 151 Officer or Deputy Section 151 Officer will ensure there is proper documentation for all deals and transactions and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule to this document.

The delegations to the Section 151 Officer or Deputy Section 151 Officer in respect of treasury management are set out within this document. The Section 151 Officer or Deputy Section 151 Officer will fulfil all such responsibilities in accordance with the organisation's policy statement and TMPs and if a CIPFA member, the Standard of Professional Practice on Treasury Management.

TMP 6 Reporting Requirements and Management Information Arrangements

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, full Council will receive:

- An annual report on the strategy and plan to be pursued in the coming year.
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

The body responsible for scrutiny, such as an audit or scrutiny committee, will have the responsibility for the scrutiny of treasury management policies and practices.

Local authorities should report the treasury management indicators as detailed in their sector-specified guidance notes.

The present arrangements and the form of these reports are detailed in the schedule to this document.

TMP 7 Budgeting, Accounting and Audit Arrangements

The Section 151 Officer or Deputy Section 151 Officer will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 Risk management, TMP2 Performance measurement, and TMP4 Approved instruments, methods and techniques.

The Section 151 Officer or Deputy Section 151 Officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices.

TMP 8 Cash and Cash Flow Management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the Section 151 Officer or Deputy Section 151 Officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Section 151 Officer or Deputy Section 151 Officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1 (2) liquidity risk management, further information regarding this is set out in the schedule of this document.

TMP 9 Money Laundering

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained.

Any suspicions of money laundering activities would be reported to the Internal Audit Manager who is the Money Laundering Reporting Officer (MLRO) or the Senior Auditor who is the Deputy Money Laundering Reporting Officer.

TMP 10 Staff Training and Qualifications

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Section 151 Officer or Deputy Section 151 Officer will recommend and implement the necessary arrangements.

The Section 151 Officer or Deputy Section 151 Officer will ensure that the Council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule to this document.

TMP 11 Use of External Service Providers

The Council recognises that responsibility for treasury management decisions remains with the Council at all times. It recognises that there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. Where services are subject to formal procurement arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Section 151 Officer or Deputy Section 151 Officer, and details of the current arrangements are set out in the schedule to this document.

TMP 12 Corporate Governance

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Code. This, together with the other arrangements detailed in the schedule to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the Section 151 Officer or Deputy Section 151 Officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

INVESTMENTS THAT ARE NOT PART OF THE TREASURY MANAGEMENT ACTIVITY

Where, in addition to treasury management investment activities, the Council invests in other financial assets and property primarily for financial return, these investments should be proportional to the level of resources available to the organisation and the organisation should ensure that the same robust procedures for consideration of risk and return are applied to these decisions.

Management practices for non-treasury investments.

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activities includes loans supporting services outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all council investments are covered in the capital strategy, investment strategy or equivalent, and will set out, where relevant, the organisation's risk appetite and specific policies and arrangements for non-treasury investments. It will recognise that the risk appetite for these activities may differ from that for treasury management.

The Council will maintain a schedule setting out a summary of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation's risk exposure.

The Council's Capital and Investment Strategies are held as separate documents and are available on our website.

SUPPORTING SCHEDULES TO THE TREASURY MANAGEMENT PRACTICES (TMPs)

RISK MANAGEMENT (TMP1)

CREDIT AND COUNTERPARTY POLICIES RISK MANAGEMENT – TMP1(1)

The Authority currently holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority’s investment balance has ranged between £52.4m and £66.3m. During 2019/20 and in future years, due to the Authority’s Capital Programme, these levels are expected to fall dramatically.

Objectives: The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority’s objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to further diversify into more secure and/or higher yielding asset classes during 2019/20 (further details in the Approved counterparties section below). This is especially the case for the Authority’s surplus cash currently invested in short-term unsecured bank/building society deposits. This diversification will represent a change in strategy over the coming year.

Business models: Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority’s “business model” for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Approved investment counterparties and limits

Credit Rating	Banks Unsecured	Banks Secured	Pooled Funds
AAA	£6m 5 years	£12m 20 years	£12m 20 years
AA+	£6m 5 years	£12m 10 years	£12m 15 years

AA	£6m 4 years	£10m 5 years	£10m 15 years
AA-	£6m 3 years	£10m 4 years	£10m 10 years
A+	£6m 2 years	£8m 3 years	£8m 5 years
A	£6m 13 months	£8m 2 years	£8m 5 years
A-	£6m 6 months	£6m 13 months	£6m 5 years
None	£1m 6 months	n/a	£1m 5 years
UK Government	£Unlimited, 50 Years		
Other UK Local Authorities	Using Arlingclose Rating Formula (Per iDeal trade platform) Gold - £12m, 5 years Silver - £10m, 5 years Bronze - £8m, 5 years		

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Pooled funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal

after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

UK Government: Loans, bonds and bills issued or guaranteed by government. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Operational bank accounts: The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £1,000,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Investment limits: The Authority's revenue reserves available to cover investment losses are forecast to be nearly £30 million on 31st March 2019. In order that no more than 40% of available reserves will be put at risk in the case of a single default, the

maximum that will be lent to any one organisation (other than the UK Government) will be £12 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries

Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£12m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£12m per group
Any group of pooled funds under the same management	£12m per manager
Negotiable instruments held in a broker's nominee account	£12m per broker
Foreign countries	£3m per country
Unsecured investments with building societies	£6m in total
Money market funds	£12m in total

LIQUIDITY RISK MANAGEMENT - TMP1(2)

Liquidity management

The Authority uses a cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

Approved Minimum Cash Balances and Short Term Investments

In order to maintain the position of the Council, in terms of liquidity, the following limits have been set: -

- ◆ Daily treasury management procedures will aim to maintain a forecast consolidated balance in the region of £50k to £1m. However, balances over £1m may be retained in the Council's current account to be used to cover payments going out provided the limit is not exceed for more than five consecutive, working days.
- ◆ If two internally managed investments are being placed on the same day with different maturity dates, one counterparty may be used for the two investments even if the investment % rate offered on one of the investments is not the highest rate and the subsequent loss of interest incurred does not exceed the pre-set limit of £50.00 on that one investment. However, the counterparty in question must be willing to accept the two investments as one CHAPS payment.

- ◆ At least £2m of short-term investments will be retained by the Council to meet cash flow requirements. Whilst this is a recommended minimum, the Council does have access to a £1m overdraft facility for any unexpected short term borrowing.

This is to ensure that: -

- ◆ Cash flow requirements are fully met.
- ◆ The amounts of the individual sums invested are sufficient to make external investment economically viable.
- ◆ The amounts of the individual sums invested are sufficient to attract competitive rates of return.

Standby Facilities/Call Accounts

The Council also holds instant access / call accounts with the following banks:

- Lloyds/Bank of Scotland
- Barclays
- NatWest

Overdraft Arrangements

Overdraft arrangements have been arranged with the Council's bankers with a net limit of £1m. Interest will be charged at 2% above the Bank's Base Rate.

The Bank also operates a **Daylight Exposure Limit** (also known as the Settlement Risk Exposure), which allows the consolidated bank accounts can be overdrawn during the course of the working day; the limit is set at £25M. The daylight exposure limit is intended to cover any crossover periods during the day when large payments have to be made from the Council's bank accounts, but the expected credits may not be received until later in the day.

The daylight exposure limit only covers CHAPS payments.

Short & Long Term Borrowing Facilities

There is a borrowing limit that is set by the Council each year in accordance with the Local Government Act 2003. The limit is a specific indicator within the Council's Prudential Code which is reviewed annually in accordance with the code/best practice and is approved by Full Council.

Should the need for further borrowing prove necessary, or appropriate for strategic purposes, provided the limit is within the prudential indicator, then arrangements would be made in accordance with the code.

INTEREST RATE RISK MANAGEMENT – TMP1(3)

The Council will manage its exposure to fluctuations in interest rates with a view to securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved investment instruments, methods and techniques, primarily to create stability and certainty of revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

The Council also has an interest equalisation reserve which, if necessary, can be used to help smooth out the level of interest received due to fluctuations in interest rates.

EXCHANGE RATE RISK - TMP1(4)

This is the risk that fluctuations in foreign exchange rates may create an unexpected, or unbudgeted, burden on the Council's finances. In order to mitigate this risk the Council's investments are restricted to sterling, however, it does have access to real-time market advice from its external advisors which will enable it to assess any potential risks arising and to take any necessary action.

INFLATION RISK MANAGEMENT TMP1 (5)

The effects of varying levels of inflation, insofar as they can be identified as impacting directly on its treasury management activities, will be controlled by the Council as an integral part of its strategy for managing its overall exposure to inflation.

It will achieve these objectives by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates, exchange rates or inflation. The above are subject at all times to the consideration and, if required, approval of any policy or budgetary implications.

REFINANCING RISK MANAGEMENT - TMP1(6)

The Council holds reliable and accurate records of the terms and maturities of its borrowings (where applicable) to enable it to plan the timing of, and successfully negotiate appropriate terms for its refinancing, if required.

LEGAL AND REGULATORY RISK MANAGEMENT – TMP1(7)

The regulations and statutory provisions or any statutory amendment, regarding enactment or modification thereof, under which Treasury Management investments are performed would include: -

- ◆ Local Government Act 1972 (taking account of the Trustee Investment Act 1961).
- ◆ The Local Government Act 1989.
- ◆ Local Authorities (Capital Finance) Regulations 1990 (SI 1990 No. 426) as amended.

- ◆ Local Authorities (Capital Finance) (Approved Investments) (Amendment) Regulations 1990 (SI 1991 No. 501). This SI was one of many which amended SI 1990 No. 426 above.
- ◆ The Local Authorities (Contracting Out of Investment Functions) Order 1996 (SI 1996/1883).

The regulations and statutory provisions under which Treasury Management borrowing is performed would include: -

- ◆ The Local Government and Housing Act 1989 (including sections 43, 45 and 46 of that Act).
- ◆ The Public Works Loan Board Acts 1965 and 1967.
- ◆ The Local Authorities (Borrowing) Regulations 1990 (SI 1990/767) as amended by the Local Authority (Borrowing) (Amendment) Regulations 1991 (SI 1991/551).
- ◆ The Local Government Act 2003.

Treasury Management procedures will be updated to accommodate any new legislative provisions.

It is recognised that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

FRAUD, ERROR AND CORRUPTION, AND CONTINGENCY MANAGEMENT – TMP1(8)

Fraud and Error

The Council recognises that there is a risk of fraud or error occurring through the performance of the Treasury Management function. Consequently procedures are in place to ensure control over the organisations with which the Council invests (see Credit and Counterparty Risk Management), and to ensure there is an adequate segregation of duties.

The Council now uses an internet based banking system in connection with the Treasury Management function, however access to this is tightly controlled and the security and integrity of the site/system is managed by the Council's bankers Lloyds Bank Plc (a separate procedure manual details the system, procedures and emergency /contingency arrangements applicable in terms of making payments, and obtaining treasury information is available).

Treasury information may be made available on the Council's website however care will be exercised to ensure that no sensitive Treasury information is published through such arenas.

The Council has an "Anti-fraud Policy" and "Whistle-blowing procedures" that identify measures to control the risk of fraud by staff and Members. These can be found in the Internal Audit section of the Council's website.

Internal Audit undertake an annual audit review of the Treasury Management system and assess the effectiveness of controls implemented to prevent or detect fraud and error.

Shortfall of Funds

Should the Council suffer an unforeseen shortfall of funds, the nature of the position should be discussed with the Section 151 Officer or the Deputy Section 151 Officer.

Dependent on the nature of the shortfall, it may be necessary to negotiate terms with the Councils bankers to cover the shortfall, or to loan money from a Broker.

The Council has access to a £1m overdraft with its current bankers and interest on this account would be charged at 2% above base rate.

Insurance

The Council holds insurance, which covers loss of money or property belonging to the Council or for which they are legally responsible, resulting from any act of fraud or dishonesty of its employees, discovered during the period of insurance or within 24 months of the expiration.

All employees are covered by the policy, with the following limits being applicable: -

Six Designated Resources and Performance Staff (responsible for Treasury management)	£5.0M
All other staff	£0.5M

The Resources and Performance posts insured for the Treasury Management value of £5M are as follows: -

Assistant Director - Resources and Performance
Senior Business Partner (Transactional and Regulatory Services)
Business Partner (Transactional and Regulatory Services)
Team Leader (Treasury and Regulatory Services)
2 x Business Support Officer (Treasury and Regulatory Services)

PRICE RISK MANAGEMENT - TMP1(9)

The Council mitigates this risk through the use of market advice from its External Fund Managers and through a monthly review of the credit ratings.

Methodology Applied to Evaluate the Impact of Treasury Management Decisions

The Council invests its funds in fixed term deposits, bonds, pooled funds and with other Local Authorities, a proportion of which are short term (to meet cash flow requirements) and the remaining of which are invested for periods determined by the Council, in conjunction with its external fund managers, to meet its longer term requirements.

Political Risks and the Management Thereof

There are cycles of political change at both national and local levels. An overview of the political situation at both levels will be maintained, so that any likely political risks can be identified at the earliest opportunity, with a view to addressing any issues proactively at a corporate management level

PERFORMANCE MEASUREMENT – TMP2

A monthly statement is produced, for each of the Councils investment categories, showing the average rate of return for each category, this is compared to/monitored against the target interest rate projection.

The average rate calculations are weighted in order to take account of the value and duration of investments, in order to ensure an accurate rate of return is produced.

Benchmarking of the Council's return is also undertaken via our advisors Arlingclose.

DECISION MAKING AND ANALYSIS - TMP3

Funding

Funding of the Council's capital expenditure is dealt with in a report to the Council prior to the commencement of each financial year.

A five year capital programme is presented to Council, for General Fund capital expenditure, along with the financing proposals.

Projections are carried out annually (and prior to the inclusion of any new capital projects) to ensure that sufficient finance is available to meet the Councils capital expenditure requirements.

Revenue funding is dealt with through the Revenue Budget and Council Tax setting process.

Borrowing

There is a borrowing limit that is set by the Council each year in accordance with the Local Government Act 2003. The limit is a specific indicator within the Councils Prudential Code which is reviewed annually in accordance with the code/best practice and is approved by full Council.

Should the need for further borrowing prove necessary, or appropriate for strategic purposes, provided the limit is within the prudential indicator, then arrangements would be made in accordance with the code. If the need to borrow exceeds the limit set in the prudential indicator, approval will be sort from full Council.

Policy on Interest Rate Exposure

The Policy on interest rate exposure is now dealt with through the Prudential Code in accordance with the Local Government Act 2003. The limits that are being recommended to Council for 2019/20 are being considered and will be reported to Council as part of the Prudential Code update.

Sources of Borrowing

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Suffolk County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

Processes/Records to be Held

When a loan/investment is received/made, the following procedures should be followed, and records held: -

Complete a quotation sheet, three quotes for suitable counterparties to be obtained. Recommendation to be signed off by the Assistant Director - Resources and Performance or duly authorised Officer.

Enter the full details into the Treasury Investment spreadsheet.

The amount of the loan/investment must also be entered on the cash flow spreadsheet, if it is for a fixed term, also enter the amount as a receipt in the cash flow spreadsheet on the maturity date.

When the counterparty's confirmation note is received, check the details with the Treasury Investment spreadsheet.

All documentation relating the transaction must be scanned into the appropriate folder and paper copies filed accordingly.

ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS – TMP5**Introduction**

The Section 151 Officer or Deputy Section 151 Officer has delegated responsibility for the execution and administration of treasury management decisions.

The Section 151 Officer or Deputy Section 151 Officer may delegate their treasury management responsibilities to members of their staff. Details of these arrangements are set out below.

Authorised signatories of the Council will be permitted to sign documentation relating to the Council's borrowings and investments.

The daily treasury management routines to be followed are available on request. These procedures will be maintained and reviewed annually.

Delegated Powers and Responsibilities

The Cabinet/Full Council is responsible for:

- ◆ Adoption of the revised CIPFA Treasury Management Code and Treasury Management Policy.
- ◆ Receiving, commenting on, and approval of the Annual Treasury Management and Investment Strategy Statements (prior to the commencement of the financial year).
- ◆ Receiving and commenting on an annual report on treasury management activity for the preceding financial year as soon as possible after the end of the financial year but in any case by the end of September.
- ◆ Receiving and commenting on other periodic reports on the treasury management function and its performance during the year.
- ◆ Approval of the Prudential Indicators, Authorised Borrowing Limit and Operational Boundary for borrowing.

The Assistant Director (Resources & Performance) (Section 151 Officer) is responsible for:

- ◆ Ensuring compliance with the treasury management policy statement and that the policy complies with the law.
- ◆ Carrying out regular reviews of the treasury management function.
- ◆ Ensuring that any variations to the treasury policy or the internal practices fully comply with the law and the code of practice.
- ◆ Ensuring that there is an adequate internal audit function.
- ◆ Liaising with the Deputy 151 Officer on treasury management decisions.
- ◆ Making long term investment decisions in accordance with the approved policy.
- ◆ Deciding on funding and short term policies for the ensuing year.
- ◆ Deciding on lending and investment policies for the ensuing year.
- ◆ Advising the Council on the acceptability and characteristics of treasury instruments.
- ◆ Establishing the vires of the proposed action and the instruments to be used.
- ◆ Ensuring that the organisation of the treasury management function is adequate to meet current requirements and that there is an appropriate division of duties.
- ◆ Assessing and appointing brokers/advisors/external fund managers.
- ◆ Reporting to elected members and advising the monitoring officer where that is appropriate.
- ◆ Re-determining treasury management strategy in the light of forecast changes in the economy and reporting it to members at the appropriate time.
- ◆ Approving changes to counterparty credit limits, in consultation with the Portfolio Holder for Performance and Resources.
- ◆ Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function.

The Service Manager - Finance & Performance / Deputy Section 151 Officer / Senior Business Partner (Transactional and Regulatory Services) is responsible for:

- ◆ Reviewing the annual Treasury Management Statement and Code of Practice.
- ◆ Overall management of the Treasury function.
- ◆ Deputising for the Assistant Director (Resources and Performance) in his/her absence for matters relating to the treasury management function.
- ◆ Monitoring adherence to approved policy by treasury management team.
- ◆ Ensuring that an appropriate division of duties is in place and that all staff are properly trained to carry out the required duties.
- ◆ Making recommendations regarding:-
 - the appointment of brokers
 - the organisation of the treasury management function
 - funding and short term policies
 - lending and investment policies
 - acceptability and characteristics of treasury instruments
 - the vires of proposed action and the instruments to use.
- ◆ Reviewing the performance of the treasury management function at least twice a year.
- ◆ Ensuring that all treasury staff are aware of and have access to the Financial Conduct Authority handbook of rules and guidance which is available on the FSA website.
- ◆ Ensuring that the day to day activities accord with the Treasury Management Statement.
- ◆ Ensuring compliance with policies, limitations and directions.
- ◆ Monitoring performance of brokers employed.
- ◆ All recording and administrative functions complying with the system and procedures laid down in the treasury management document.
- ◆ Reviewing regular performance reports.

The Business Partner / Team Leader (Treasury and Regulatory Services) is responsible for:

- ◆ Overseeing the daily treasury management function.
- ◆ Ensuring that the treasury management procedures and practices are regularly reviewed and adhered to.
- ◆ Preparing the draft Treasury Management Statement.
- ◆ Producing regular performance reports.
- ◆ Monitoring performance of brokers employed.
- ◆ Deputising for the Senior Business Partner (Transactional and Regulatory Services) in his/her absence for matters relating to the treasury management function.

The Business Support Officer is responsible for:

- ◆ Dealing with the money market, complying with the systems and procedures laid down in the treasury management document.
- ◆ Updating of daily cash flow.
- ◆ Ensuring that properly authorised transactions are actioned in a timely manner.
- ◆ Reconciling treasury management transactions on a monthly basis.
- ◆ Deputising for the Team Leader (Treasury and Regulatory Services) in his/her absence for matters relating to the treasury management function.

The Internal Audit Manager is responsible for:

- ◆ Reviewing compliance with the approved policy and procedures on treasury management.

- ◆ Reviewing the division of duties and operational practices.
- ◆ Assessing value for money from treasury activities.
- ◆ Undertaking probity audit of treasury function.
- ◆ Reporting and monitoring of Money Laundering activities.

The Chief Executive is responsible for:

- ◆ Ensuring that the system is laid down and resourced.
- ◆ Ensuring that the Section 151 Officer or Deputy Section 151 Officer reports regularly to elected Members on treasury policy, activity and performance.

The Monitoring Officer is responsible for:

- ◆ Ensuring compliance by the Section 151 Officer or Deputy Section 151 Officer with the treasury policy and that the policy complies with the law.
- ◆ Satisfying himself / herself that any proposal to vary treasury policy or practice complies with the law.
- ◆ Advising the Section 151 Officer or Deputy Section 151 Officer where their advice is sought.

Use of External Brokers/Advisors/Fund Managers

The Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external advisors and/or fund managers to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

Bankers

The Council's bankers are Lloyds Bank Plc.

Long Term Borrowing (Public Works Loan Board)

The officers, authorised to obtain loans with the Public Works Loan Board (once full Council approval has been received), are as follows:-

- Assistant Director - Resources and Performance (Section 151 Officer)
- Deputy Section 151 Officer
- Senior Business Partner (Transactional and Regulatory Services)

Investment Direct Dealing Practices

Where there are sufficient funds available to justify an investment, three quotations are obtained from the organisations on the approved list.

It is essential to ensure that when selecting these organisations from the approved list, the investment limits of the organisations are not exceeded.

Three quotations ensure that the best rate is obtained on the investment.

Policy on Taping of Conversations

The Council has no facilities for recording dealing and is therefore reliant on any recordings of conversations relating to dealing held by the institutions with which it deals.

Settlement Transmission Procedures

Before transmission of a payment to the investment organisation, a payment voucher is completed with the details of the organisations name, sort code (and where appropriate, their account number), details of the period of the investment, the interest rate achieved and the amount to be invested.

Before any payments can be transmitted, 2 independent authorisations are required on the banking system.

Documentation Requirements

There are spreadsheets in place to record all aspects of treasury management and investment. These spreadsheets are reconciled, independently checked and signed on a monthly basis.

REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS – TMP6

The nature and frequency of reporting are covered in Organisation, Clarity and Segregation of Responsibilities and Dealing Arrangements.

Four Treasury Management reports will be made to Council each financial year, the Treasury Management and Annual Investment Strategy Statement Report, the Treasury Management Monitoring Report, the Treasury Management Annual Report, and the report on the Prudential Indicators.

In addition, further reports will be presented to Council for the approval of revisions to the Treasury Management Code of Practice, and to seek approval for any revisions to the approved Treasury Management Strategy, Prudential Indicators and any additions or deletions from the approved list of organisations for investments.

All reports must be approved by Council.

Reporting Content

The prescribed minimum content of the four main annual reports to Council, are detailed in the summaries below. This minimum content gives a degree of flexibility, in terms of the content of the report, whilst ensuring that key issues are always reported.

Annual Strategy Report Minimum Contents Summary

The Annual Strategy Report must be submitted to Council by 31 March each year and should, as a minimum, contain the following: -

- ◆ Details of the level of external debt
- ◆ Investment Limits
- ◆ External investment fund limits
- ◆ Forecast interest rate movements for the ensuing year
- ◆ Breakdown of surplus funds held
- ◆ Proposed investment and / or borrowing strategy

Annual Report Minimum Contents Summary

The Treasury Management Annual report must be submitted to Council by 30 September following the previous financial year's end, and should, as a minimum, contain the following: -

- ◆ Details of the level of external debt held and a list of lenders names
- ◆ Investment performance against benchmark criteria
- ◆ A breakdown of investments held
- ◆ An explanation of interest rate movements during the financial year, against forecast movements in the original Annual Strategy Report
- ◆ Any breaches from the Code of Practice
- ◆ A statement of compliance from the Internal Audit manager

Monitoring Report Minimum Summary of Contents

The monitoring report must be submitted to Council by 31 December each year and should, as a minimum, contain the following: -

- ◆ Details of the level of external debt
- ◆ Investment performance against benchmark criteria
- ◆ A breakdown of investments held
- ◆ Any revisions to Treasury Management strategy
- ◆ A revised interest rate forecast for the remainder of the financial year
- ◆ Any breaches from the Code of Practice
- ◆ Show the position as at the end of 30 September

Revisions to the Treasury Management Code of Practice Contents Summary

The report must be submitted to Council by the 7 March each year and should contain as a minimum, the following;

- ◆ Any legislative changes
- ◆ Any guidance changes
- ◆ Any significant changes in procedures
- ◆ Confirmation that the CIPFA Code of Practice for Treasury Management in the Public Services has been adopted

- ◆ At the same Council meeting a report must be submitted on the Councils Prudential Code & Associated Indicators and should contain as a minimum, the following;
 - ◆ Rates of financing costs to net revenue stream
 - ◆ Net borrowing and the capital financing requirement

- ◆ Total capital expenditure in each year
- ◆ Average balance of capital receipts available
- ◆ Limits in interest rate exposure
- ◆ Maturing structure of borrowing
- ◆ Incremental impact of capital investment
- ◆ Total principal sums invested and limits on long term investment maturities
- ◆ Minimum Revenue Provision Policy

BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS – TMP7

Statutory/Regulation Requirements

Statutory and regulatory requirements relating to Treasury Management are dealt with under TMP1 under the heading "Legal and Regulatory".

Accounting Practices and Standards

The Council, in addition to all relevant SSAP's, FRS's and IAS's adheres to all practices and standards provided by CIPFA.

Budgets

Budgets are set, prior to the commencement of a financial year, for brokerage fees charged by the Councils Fund Managers and Advisors.

A forecast of interest receipts for the ensuing financial year is prepared prior to its commencement by the Senior Business Partner (Transactional and Regulatory Services). This budget is also revised during the year, to take account of any variations in the amount likely to be received.

Investment categories are individually coded on the Council's financial information system, in terms of the interest received, principal sums invested and investments recouped. Information is updated on the Financial Information System directly from the bank statements received, by the Bank Reconciliation Officer who is independent of the Treasury Management function.

The Treasury records are reconciled to the information on the financial information system, on a monthly basis. Reconciliation's are checked independently by the Team Leader (Treasury and Regulatory Services), and signed to signify approval.

External Audit Information Requirements

The "Audit Fraud and Corruption Manual" details system controls which external auditors would wish to see in place for Treasury Management. These are as follows: -

- ◆ Clear written procedures for staff
- ◆ Transactions are regularly reviewed and examined by a senior officer
- ◆ Appropriate access controls exist
- ◆ All cheques/direct credits over a specified amount are checked back to prime documents and countersigned by a senior officer
- ◆ Banks only accept direct transfers to institutions on an approved list
- ◆ Changes to the approved list require counter signature by a senior officer

- ◆ Transfer via a direct terminal link is only allowed when confirmed by a second officer
- ◆ Cheques are despatched independently of the loan officer
- ◆ Discharged certificates are obtained for all bond repayments.
- ◆ Direct confirmation with borrowers or lenders of premiums or discounts on premature repayments.
- ◆ Premium or discount payments are checked for reasonableness.

CASH AND CASH FLOW MANAGEMENT – TMP8

Monitoring of cash flow requirements is carried out using a Cash Flow spreadsheet. The spreadsheet shows all the days of the year, and is broken down into headings of income and expenditure for each working day of the year. This allows a forecast of the consolidated end of day closing balance to be compiled, on which Treasury Management decisions can be based.

This spreadsheet is compiled prior to the commencement of the financial year, and is updated with all cash inflows and outflows which are known (in terms of amounts and the dates they will occur) at the commencement of the financial year. These would include:

- ◆ Precept payments to be made to precepting bodies
- ◆ Contributions to and from the National Non Domestic Rating pool
- ◆ Any other known cash in flows and out flows

In addition to updating this spreadsheet with cash inflows and outflows known at the start of the year, notes are made on the spreadsheet of those transactions, which cannot be quantified, but are known to occur on specific dates. These would include:

- ◆ Council Tax direct debit income
- ◆ National Non-Domestic Rates (NNDR) direct debit income
- ◆ Monthly payroll (and associated) payments

Other income and expenditure is known to occur on a regular basis, and cash flow decisions also take account of these. Examples would include:

- ◆ Accounts Payable (Creditor) Payments (made on each Monday and Thursday)
- ◆ Housing Benefits (HBIS) BACS payments (made on each Monday)
- ◆ Other daily income, e.g. from cashiers

The daily forecast cleared closing consolidated balance is compared to the consolidated forecast balance from the Councils direct banking system, in order to give assurance that the system and spreadsheet are taking account of all transactions.

The end of day forecast cleared consolidated balance is the figure which treasury management decisions are based on. Two authorised officers therefore check this figure, independently, for control purposes, where an investment or borrowing decision is to be made.

Daily Procedures

The Business Support Officers (Treasury and Regulatory Services) will perform day to day cash management. The Team Leader (Treasury and Regulatory Services) and the Business Partner (Transactional and Regulatory Services) will provide cover in the absence of any of the aforementioned officers.

It is now required that all designated treasury staff carry out the treasury management daily procedures for 2 individual weeks during the course of the year, to ensure that they are continually up to date with treasury management procedures.

Objective

The objective of the day to day cash management is to ensure that the consolidated balance of the Council's bank accounts is, where possible, kept within its target overnight level of £50k, whilst adequately meeting the day to day cash requirements of the Council.

However, balances over £1m may be retained in the bank account to be used to cover payments going out provided the limit is not exceed for more than five consecutive, working days.

Investment/Borrowing Decision Making

Borrowing to meet any shortfall or investing directly with organisations on the approved list can be authorised by the Assistant Director of Resources and Performance (Section 151 Officer), Service Manager (Deputy Section 151 Officer) – Finance and Performance or Senior Business Partner – Planning, Performance & Control or Transactional & Regulatory Service. In the absence of one of the officers above, one of the Business Partners – Planning, Performance & Control or Transactional & Regulatory Services can act as Sanctioning Officer with the documentation being countersigned by an authorising officer at the earliest opportunity. Longer term borrowing requires Council approval.

With increased working over multiple sites, the required officers are not always available to provide 'hard copy' authorisation. To increase efficiency and ensure treasury activities are carried out in a timely manner, the use of email authorisation is permitted. Copies of the email trail must accompany all deal paperwork in the completed file.

Forecasting the closing balance on the consolidated account

This is reached by obtaining a daily cleared debit/credit balance from the Direct Banking system, and referring to the "CASHFLOW" Spreadsheet for any other significant income/payments.

Bank Statement Procedures

On receipt, bank statements are forwarded to the Accounts section, whereby they are distributed to the appropriate responsible officer.

Payment Scheduling and Agreed Terms with Trade Creditors

Creditor runs, through the creditors system are performed on a bi-weekly basis to provide both BACS and cheque payments.

The Councils general terms are that payment of invoices will be made within 30 days, unless alternative terms are detailed on invoices.

The Treasury Management team is provided with information on the level of creditor payments to be made each week, in time to ensure sufficient funds are available to meet the liability.

Procedure for Banking of Funds

A private security firm carries out the banking of funds.

Procedures for the reconciliation of cash and cheques collected at each location, to those banked, are also in place.

Scheme for the Advancing of Car Loans to Members of Staff

The scheme is intended to assist specified officers with the purchase of a vehicle where it is deemed necessary to have the availability of a vehicle for the performance of his/her duties.

The full Policy can be found on the Corporate Drive and in the Policy Library.

Loans to Parish Councils and External Organisations

More detailed information on the criteria for a loan and the application process can be found in the Council's loan policy.

MONEY LAUNDERING - TMP9

Methodology for Identifying Sources of Deposit

For all investments, managed internally, the Council deals with financial institutions that hold an acceptable Credit Rating as detailed in TMP 1.

This high credit rating gives some assurance that all institutions included on the approved list of organisations for investments are reputable companies.

Methodology for Establishing the Identity/Authenticity of Lenders

In terms of temporary loans, the Council has a policy of only accepting loans from Parish Councils, or occasionally of small amounts from Community Organisations (subject to such loans not adversely affecting the Authorised Borrowing Limit or the Operational Boundary for Borrowing), where this would benefit the organisation concerned. Any other loans accepted would relate to performance bonds from reputable companies.

The Council currently has £4m of long term borrowings. Should it prove necessary to borrow further, only Brokers included in the Councils approved list would be asked to provide quotations. Written confirmations of all details relevant to any transaction would be required on the Broker's headed paper.

Disaster Recovery Plan

In the event that the offices cannot be accessed or the online banking facility is unavailable, there are contingency arrangements in place to ensure that where possible

Treasury Management obligations are met. These emergency contingency arrangements can be found in the Treasury Management Procedures Manual.

TRAINING AND QUALIFICATIONS – TMP10

It is the Councils intention for all the posts detailed in the schedule for TMP5 “Organisation, Clarity and Segregation of Responsibilities, and Dealing Arrangements” to be occupied.

Should a vacancy for any post be unfilled for any exceptional period of time, then the Code of Practice will be reviewed to assess any likely implications and risks, and so that any necessary amendments may be made and presented to Council for approval.

It is the intention of the Council that staff holding the Posts will be in receipt of adequate training to conduct their duties, either by external courses/seminars, or through internal instruction. A record will be kept of this training.

USE OF EXTERNAL SERVICE PROVIDERS - TMP11

The Council will employ the services of other organisations to assist it in the field of treasury management. In particular, it will use external treasury advisors and/or brokers/fund managers to provide specialist advice in this ever more complex area. However, it will ensure that it fully understands what services are being provided and that they meet the needs of this organisation, especially in terms of being objective and free from conflicts of interest.

The Council has a contract with Arlingclose Ltd for treasury advice, this contract expires 31 March 2020.

CORPORATE GOVERNANCE – TMP12**Information Available for Public Inspection**

The Council will make publicly available information relating to its Treasury Management strategy.

The Council will also make available information relating to the performance of the Treasury Management function in terms of the rate of return received on investments.

Consultation with Stakeholders

The Councils main objective is to maximise investment income without compromising its position in terms of risk. This strategy results in little scope for consultation with stakeholders, over what is effectively investment strategy.

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Treasury Management Sub-Committee



St Edmundsbury
BOROUGH COUNCIL

Title of Report:	Treasury Management Report 2018-2019 and Investment Activity (April – December 2018)	
Report No:	TMS/SE/19/001	
Report to and dates:	Treasury Management Sub-Committee	21 January 2019
	Performance and Audit Scrutiny Committee	31 January 2019
	Joint Executive (Cabinet) Committee	12 March 2019
	Council	19 March 2019
Portfolio holder:	Councillor Ian Houlder Portfolio Holder for Resources and Performance Tel: 01284 810074 Email: ian.houlder@stedsbc.gov.uk	
Lead officer:	Gregory Stevenson Service Manager Finance & Performance Tel: 01284 757264 Email: gregory.stevenson@westsuffolk.gov.uk	
Purpose of report:	To present the Council's Treasury Management Report summarising the investment activities for the period to 31 December 2018.	
Recommendation:	<p>It is recommended that, the Treasury Management Sub-Committee:</p> <p>(1) Notes the Mid-Year Treasury Management Report; and</p> <p>(2) Makes recommendations as appropriate via the Performance and Audit Scrutiny Committee to Cabinet and Council.</p>	

Key Decision:	<i>Is this a Key Decision and, if so, under which definition?</i> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
Consultation:	<ul style="list-style-type: none"> Treasury management activities are undertaken in consultation with Link Asset Services (the Council's appointed Treasury Management advisers) and also takes into account information obtained from investment brokers and other economic commentators. This committee provides for the scrutiny of treasury management strategies and performance, with changes in strategies and policies subject to approval by the Joint Executive (Cabinet) and Council. 	
Alternative option(s):	<ul style="list-style-type: none"> Options for the management of Council investments are formally considered within the annual treasury management and investment strategy. This includes the continuation of in-house management of funds, the use of external brokers and advisors, 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. 	
Implications:		
<i>Are there any financial implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<ul style="list-style-type: none"> Please refer to main report
<i>Are there any staffing implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any ICT implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
<i>Are there any legal and/or policy implications? If yes, please give details</i>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	<ul style="list-style-type: none"> This report is in-line with the Treasury Management Practice 6, (TMP6), of the Treasury Management Code of Practice.
<i>Are there any equality implications? If yes, please give details</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	

Risk/opportunity assessment:		<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*
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. Use of interest equalisation reserve to smooth out year-on-year fluctuations	Medium
Bank / building society failure resulting in loss of Council funds.	High	Use of Sector 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
Ward(s) affected:		All Wards	
Background papers:		Annual Treasury Management and Investment Strategy – 2018/19 (COU/SE/18/002) Annual Treasury Management and Investment Strategy Statements (report COU/SE/18/002 approved 20 February 2018)	
Documents attached:		N/A	

1. December Monitoring Report 2018/19

Investment Activity: 1 April to 31 December 2018

- 1.1.1 The total amount invested at 1 April 2018 was £36.35m and at 31 December 2018 £44.30m. The increase in balances over this period was due primarily to timing differences in respect of the collection of local taxes (Council Tax and Non Domestic Rates), the payment of precepts (i.e. to Suffolk County Council, Suffolk Police and central government) and changes in the profile of the Capital Programme.
- 1.1.2 The 2018/19 Annual Treasury Management and Investment Strategy Statements (report COU/SE/18/002 approved 20 February 2018) sets out the Council's projections for the current financial year. The budget for investment income in 2018/19 is £308,000 which is based on a 0.70% target average rate of return on investments.
- 1.1.3 As at the end of December 2018 interest actually earned during the first nine months of the financial year amounted to £255,665 (average rate of return of 0.734%) against a profiled budget for the period of £231,000 (average rate of return of 0.70%); a budgetary surplus of £24,665.
- 1.1.4 The table below summaries the interest earned and the average rate of return achieved and compares with the LIBOR 3 month average at 31 December 2018.

INTEREST EARNED & AVERAGE RATE OF RETURN SUMMARY			
Investment Category	Total Average Investment	Average Rate of Return (%)	Interest Earned
Temporary Investments (Term Deposits)	1,862,610	0.716%	165,239
Bank of Scotland Current Account	3,797,924	0.578%	16,541
Barclays Reserve Account	3,739,424	0.400%	11,269
NatWest Call Account	87,220	0.010%	6
Clydesdale 30 Day Account	81	0.250%	1
Bank of Scotland Base Plus Account	325	0.250%	1
Santander 365 Day Account	8,000,000	1.039%	62,608
Total Overall Average Return on Investments %			0.734%
Total Interest Earned - 1 April 2018 to 31 December 2018			£255,665
LIBOR 3 month Average			0.722%

1.1.5 The table below summarises the investment activities during the period:

TREASURY MANAGEMENT – INVESTMENT ACTIVITY SUMMARY	
	2018/19
Opening Balance 01 April 2018	36,350,000
Investments made during the year (including transfers to business reserve accounts)	83,200,000
Sub Total	120,050,000
Investments realised during the year (including withdrawals from business reserve accounts)	75,250,000
Closing Balance 31 December 2018	44,300,000

1.1.6 The table below shows the list of investments held as at 31 December 2018:

Investments held as at 31 December 2018				
Counterparty	Principal Amount	Interest Rate	Date Loaned	Date Returned
Newcastle B/Soc	1,000,000	0.98%	19/03/18	19/03/19
Principality B/Soc	1,000,000	0.78%	11/07/18	22/02/19
Principality B/Soc	1,000,000	0.78%	16/07/18	18/12/19
National Counties B/Soc	2,500,000	0.88%	01/08/18	15/02/19
Coventry B/Soc	3,000,000	0.81%	15/08/18	19/03/19
Nottingham B/Soc	3,000,000	0.86%	03/09/18	04/03/19
Leeds B/Soc	2,000,000	0.82%	26/09/18	19/02/19
Leeds B/Soc	1,000,000	0.85%	03/10/18	15/03/19
Yorkshire B/Soc	1,000,000	0.76%	01/11/18	04/02/19
Yorkshire B/Soc	1,000,000	0.78%	01/11/18	19/02/19
Yorkshire B/Soc	2,000,000	0.75%	01/11/18	15/01/19
Coventry B/Soc	2,000,000	0.77%	01/11/18	18/03/19
Nottingham B/Soc	1,000,000	0.80%	03/12/18	11/03/19
National Counties B/Soc	2,000,000	0.75%	03/12/18	21/01/19
Newcastle B/Soc	2,000,000	0.67%	03/12/18	21/01/19
Principality B/Soc	1,500,000	0.99%	21/12/18	21/06/19
Santander 365 Day	8,000,000	1.15%	365 day	notice
Bank of Scotland C/A	8,300,000	0.65%	Call	
Barclays Reserve	950,000	0.50%	Call	
NatWest Call Account	50,000	0.015%	Call	
TOTAL	44,300,000			

1.1.7 The table below shows a summary of the funds held as at 31 December 2018, the Budget and Council Tax 2018/19 (report COU/SE/18/004 approved 20 February 2018) report shows the planned spending profile for these reserves/balances across the medium term financial period:

SUMMARY OF FUNDS HELD*	
Fund	£
Earmarked Revenue Reserves	22,305,723
Capital Receipts Reserves	16,965,564
General Funds Reserve	3,035,724
Cashflow Balances	1,992,899
Total Value of Investments	£44,300,000

*Further details of funds held by the Council can be found in the Quarterly Budget Outturn Reports presented to Performance and Audit Scrutiny Committee.

2. Borrowing and Capital Costs

2.1.1 The 2018/19 Budget has, for the first time, assumptions on borrowing for capital projects included within it. This borrowing was based around four specific projects:

- West Suffolk Operational Hub
- Suffolk Business Park Loan
- Investing in our Growth Fund
- Olding Road (DHL Depot)

The detail on these Budgets is laid out below:

SUMMARY OF CAPITAL BORROWING BUDGET 2018/19			
Project	External Borrowing	Minimum Revenue Provision (MRP)	Interest Payable
West Suffolk Operational Hub	£5,550,000	£0	£0
Suffolk Business Park Loan	£3,000,000	£0	£0
Investing in our Growth Fund	£20,000,000	£600,000	£412,500
Olding Road DHL Depot	£0	£197,750	£128,250
Total Value of Investments	£28,550,000	£797,750	£540,750

The position on each of these projects for the full year of 2018/19 is forecast as below:

SUMMARY OF CAPITAL BORROWING Q3 FORECAST 2018/19				
Project	External Borrowing	Use of Available Revenue Reserves (in place of External Borrowing)	Minimum Revenue Provision (MRP)	Interest Payable
West Suffolk Operational Hub	£0	£892,900	£0	£0
Suffolk Business Park Loan	£0	£0	£0	£0
Investing in our Growth Fund	£0	£1,955,000	£48,839	£0
Olding Road DHL Depot	£0	£0	£193,672	£0
Total Value of Investments	£0	£2,847,900	£242,511	£0

2.1.2 This forecast position has moved due to the following reasons:

- Suffolk Business Park Loan facility no longer being required.
- £1.955m of the Growth Fund being invested in 20 High Street Haverhill which did not require external borrowing
- Lack of suitable investment opportunities for the investing in our growth fund
- The purchase of Olding Road DHL Depot did not require external borrowing.

The impact of these changes is a reduction in forecast Interest Payable of £540,750 in 2018/19.

2.1.3 As opportunities for growth fund investment arise the borrowing and MRP position will be reviewed as each business case is developed.

2.1.4 As at the end of Quarter 3 there has been no requirement to borrow externally. Therefore there is no interest payable.

3. Other Market Considerations

3.1.1 With uncertainty still surrounding the Brexit negotiations, the financial markets still remain volatile with low rates of return still being offered by the banks and building societies. The treasury team will continue to closely monitor the situation and provide undated information as it becomes available.

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