

Date: 23 August 2017

Dear Councillor,

**Finance and Management Committee**

A Meeting of the **Finance and Management Committee** will be held in the **Council Chamber**, on **Thursday, 31 August 2017 at 18:00**. You are requested to attend.

Yours faithfully,



Chief Executive

To:- **Conservative Group**  
Councillor Harrison (Chairman), Councillor Mrs Plenderleith (Vice-Chairman) and  
Councillors Mrs Coe, Mrs Coyle, Ford, Hewlett, Smith, Watson and Wheeler

**Labour Group**  
Councillors Rhind, Richards, Southerd and Wilkins

## **AGENDA**

### **Open to Public and Press**

- 1** Apologies and to note any Substitutes appointed for the Meeting.
- 2** To receive the Open Minutes of the following Meeting:-  
  
Finance and Management Committee 15th June 2017 Open Minutes **4 - 8**
- 3** To note any declarations of interest arising from any items on the Agenda
- 4** To receive any questions by members of the public pursuant to Council Procedure Rule No.10.
- 5** To receive any questions by Members of the Council pursuant to Council procedure Rule No. 11.
- 6** Reports of Overview and Scrutiny Committee
- 7** CORPORATE PLAN 2016-21 PERFORMANCE REPORT (1 APRIL - 30 JUNE 2017) **9 - 26**
- 8** DATA QUALITY ANNUAL REPORT 201617 **27 - 56**
- 9** BUDGET AND FINANCIAL MONITORING 2017-18 **57 - 78**
- 10** MONEY MARKET FUNDS **79 - 84**
- 11** THE LOCAL AUTHORITIES' PROPERTY FUND **85 - 96**
- 12** COMMITTEE WORK PROGRAMME **97 - 101**

**Exclusion of the Public and Press:**

**13** The Chairman may therefore move:-

That in accordance with Section 100 (A)(4) of the Local Government Act 1972 (as amended) the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be disclosed exempt information as defined in the paragraph of Part I of the Schedule 12A of the Act indicated in the header to each report on the Agenda.

**14** To receive the Exempt Minutes of the following Meeting:-

Finance and Management Committee 15th June 2017 Exempt Minutes

**15** To receive any Exempt questions by Members of the Council pursuant to Council procedure Rule No. 11.

**16** PROPOSED WRITE OFFS - COUNCIL TAX, BUSINESS RATES and BENEFIT OVERPAYMENTS

**17** COMMUNITIES – AMENDMENTS TO SPORT AND HEALTH AND COMMUNITIES UNITS' STAFFING

**18** COMMUNITY SPORT ACTIVATION OFFICER

FINANCE AND MANAGEMENT COMMITTEE

15<sup>th</sup> June 2017

**PRESENT:-**

**Conservative Group**

Councillor Harrison (Chairman), Councillor Mrs Plenderleith (Vice-Chairman) and Councillors Mrs Coe, Mrs Coyle, Ford, Hewlett, Watson and Wheeler

**Labour Group**

Councillors Rhind, Southerd, Taylor (substituting for Councillor Wilkins) and Tilley (substituting for Councillor Richards)

FM/1 **APOLOGIES**

Apologies were received from Councillor Smith (Conservative Group), Richards and Wilkins (Labour Group).

FM/2 **MINUTES**

The Open Minutes of the Meetings held on 27<sup>th</sup> April 2017 were taken as read, approved as a true record and signed by the Chairman.

FM/3 **DECLARATIONS OF INTEREST**

The Committee was informed that no declarations of interest had been received.

FM/4 **QUESTIONS FROM MEMBERS OF THE PUBLIC PURSUANT TO COUNCIL PROCEDURE RULE NO 10**

The Committee was informed that no questions from members of the public had been received.

FM/5 **QUESTIONS BY MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO 11**

The Committee was informed that no questions from Members of the Council had been received.

FM/6 **REPORTS OF THE OVERVIEW AND SCRUTINY COMMITTEE**

There were no reports of the Overview & Scrutiny Committee to consider.

FM/7 **CORPORATE PLAN 2016-21: PERFORMANCE REPORT (JAN 1 – MAR 31 2017)**

The Director of Finance and Corporate Services presented the report to Committee, highlighting the sickness absence and benefits processing figures, with the benefits performance showing improvement. With regards to sickness absence, the Director advised that in the forthcoming financial year, details of

absence will be recorded in order to separate long term and short term sickness.

**RESOLVED:**

***Members noted progress against performance targets.***

FM/8

**CORPORATE EQUALITIES ANNUAL REPORT 2016/17 AND ACTION PLAN 2017/18**

The Director of Finance and Corporate Services presented the report highlighting the projects and activities that have taken place at the Council where equalities have been demonstrated in daily service provision. The Director noted that the Action Plan included the ongoing aim to make South Derbyshire a dementia-friendly district and that due to recent legislation the annual pay audit would require reporting on gender pay.

The Chairman welcomed the report and sought clarification on where it would be published. The Director of Finance and Corporate Services advised that the report would be published on the Council's website, broadcast through a Press Release and social media, with hard copies made available at the Civic Offices.

**RESOLVED:**

***1.1 Members approved, for publication, the Corporate Equalities Annual Report for 2016/17, as detailed in Appendix A of the report.***

***1.2 Members approved the Corporate Equalities and Safeguarding Action Plan for 2017/18, as detailed in Appendix B of the report.***

FM/9

**ANNUAL TRAINING REPORT 2016/17 AND PRIORITIES FOR 2017/18**

The Director of Finance and Corporate Services presented the report to Committee, highlighting the improvement in attendance for mandatory training through reviewing how the training was being delivered. The Director updated Members on the Apprenticeship Levy, which currently amounted to 0.5% of the Council's payroll since 1<sup>st</sup> April 2017. It was explained that the government had set a target whereby 2.3% of the workforce would be required to complete an apprenticeship each year, approximately eight employees on average. In this light, the continued support of apprentices, trainees and work experience was noted.

Members sought clarification on the provision of accredited training establishments and the monitoring of attendance for mandatory training which was provided by the Director.

**RESOLVED:**

***1.1 Members approved the priority areas for training and development during 2017/18, which are linked to the delivery of the key priorities of the Council's Corporate Plan.***

***1.2 Members noted the range of training activities and actions provided during 2016/17.***

FM/10 **ANNUAL HEALTH AND SAFETY REPORT 2016/17 AND ACTION PLAN 2017/18**

The Director of Finance and Corporate Services delivered the report to Committee, highlighting that the reporting of incidents had been amended to categorise 'work-related' and 'non work-related' which enabled an effective approach to monitoring. It was noted that the Council had achieved the ROSPA Gold Award standard for the sixth consecutive year in 2016/17. The Chairman noted the Committee's appreciation of the work of those officers involved in gaining this recognition.

**RESOLVED:**

***Members reviewed the key health and safety achievements and performance for the year ending March 2017 and endorsed the health and safety action plan that sets down the priority actions for 2017/18.***

FM/11 **COMPLIMENTS, COMPLAINTS & FREEDOM OF INFORMATION REQUESTS 1 OCTOBER 2016 TO 31 MARCH 2017**

The Chairman queried the costs relating to Freedom of Information (FOI) requests. The Director of Finance and Corporate Services responded, stating that this would be difficult to assess as it depends on the complexity and action taken to address each FOI request.

**RESOLVED:**

***Members considered and noted the compliments, complaints and FOI requests, as detailed in the report.***

FM/12 **CONSULTATION ANNUAL REPORT 2016/17**

**RESOLVED:**

***1.1 Members noted the key consultation achievements for 2016/17 as detailed in Appendix A to the report.***

***1.2 Members agreed the consultation action plan for 2017/18 as detailed in Appendix B to the report.***

FM/13 **COMMUNICATIONS ANNUAL REPORT 2016-17**

The Director of Finance and Corporate Services presented the report to Committee, highlighting the 14% increase in communication via Twitter and updated Members that the new website is in its final stages, scheduled to go live this summer.

**RESOLVED:-**

***1.1 Members noted the Annual Communications Dashboard 2016/17 in Appendix A to the report.***

***1.2 Members approved the Communications Annual Report 2016/17, as detailed in Appendix B.***

FM/14 **SERVICE PLANS 2017/18**

**RESOLVED:-**

***Members approved the Service Plans for Finance and Corporate Services (Appendix A) and the Chief Executive's Directorate (Appendix B) as basis for service delivery over the period 1 April 2017 to 31 March 2018.***

FM/15 **ROSLISTON FORESTRY CENTRE – RESERVE FUNDS**

The Director of Finance and Corporate Services delivered the report outlining the current status of the management contract and the reasons for the requirement for capital investment in the interim period. The Chairman sought clarification on the financial strategy in respect of services provided by the Rosliston Forestry Centre (RFC). The Director explained that the Council subsidises the facility and that the Forestry Commission maintain the woodland and that by refreshing the site to meet the market needs would potentially be beneficial to the Centre and the Council. Councillor Hewlett, as a member of the RFC Management Executive, endorsed the recommendation in the report.

**RESOLVED:-**

***Members approved the use of identified reserves for use as part of the management contract transfer and on site developments at Rosliston Forestry Centre.***

FM/16 **COMMITTEE WORK PROGRAMME**

**RESOLVED:-**

***Members considered and approved the updated work programme.***

FM/17 **LOCAL GOVERNMENT ACT 1972 (AS AMENDED BY THE LOCAL GOVERNMENT [ACCESS TO INFORMATION] ACT 1985)**

**RESOLVED:-**

***That, in accordance with Section 100(A)(4) of the Local Government Act 1972 (as amended), the press and public be excluded from the remainder of the Meeting as it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that there would be***

*disclosed exempt information as defined in the paragraphs of Part 1 of the Schedule 12A of the Act indicated in brackets after each item.*

**MINUTES**

*The Exempt Minutes of the Meetings held on 27<sup>th</sup> April 2017 were received.*

**TO RECEIVE QUESTIONS FROM MEMBERS OF THE COUNCIL PURSUANT TO COUNCIL PROCEDURE RULE NO. 11**

*The Committee was informed that no questions had been received.*

**HOMELESS SERVICE REVIEW (Paragraph 3)**

*Members approved the recommendations in the report.*

**HOUSING SERVICES – A WAY FORWARD (Paragraph 2)**

*Members approved the recommendation in the report.*

The meeting terminated at 7.00pm.

COUNCILLOR J HARRISON

CHAIRMAN

<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>31<sup>st</sup> AUGUST 2017</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>CORPORATE MANAGEMENT TEAM</b>	<b>OPEN DOC:</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (EXT. 5811)</b>	
<b>SUBJECT:</b>	<b>CORPORATE PLAN 2016-21: PERFORMANCE REPORT (1 APRIL – 30 JUNE 2017)</b>	
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: G</b>

### 1.0 Recommendations

1.1 That progress against performance targets is considered.

### 2.0 Purpose of Report

2.1 To report progress against the Corporate Plan for the period 1 April to 30 June under the themes of People, Place, Progress and Outcomes.

### 3.0 Detail

3.1 The Corporate Plan 2016 – 2021 was approved following extensive consultation into South Derbyshire's needs, categorising them under four key themes: People, Place, Progress and Outcomes. The Corporate Plan is central to our work – it sets out our values and visions for South Derbyshire and defines our priorities for delivering high-quality services.

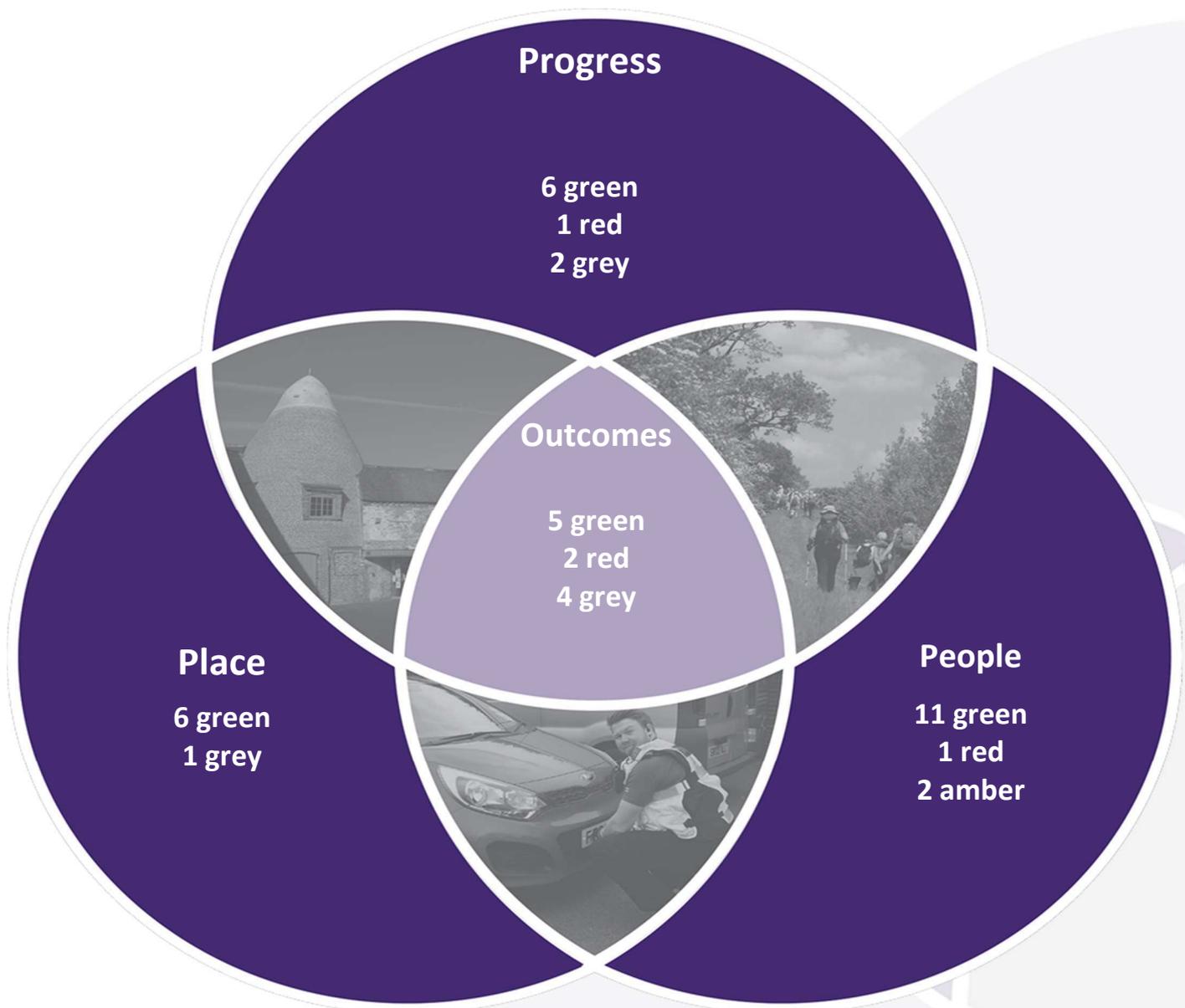
3.2 This Committee is largely responsible for overseeing the delivery of successful Outcomes. These are as follows:

- Maintain financial health
- Achieve proper Corporate Governance
- Maintain customer focus
- Be aware of and plan for financial, legal and environmental risks
- Promote and enable active democracy
- Enhance environmental standards
- Maintain a skilled workforce
- Promote inclusion

3.3 Of the 13 measures and projects under the jurisdiction of the Finance and Management Committee, seven are showing green, two are red and four are annual targets.

3.4 More information can be found in the Performance Board in **Appendix A**. A detailed breakdown of performance for Finance and Management is available in the Success Areas and Performance Action Plan documents (**Appendices B and C respectively**), while associated risks are contained in the risk registers in **Appendices D, E and F**.

#### 4.0 Overall Council performance – Quarter one (April 1 to June 30, 2017)



#### 5.0 Financial and Corporate Implications

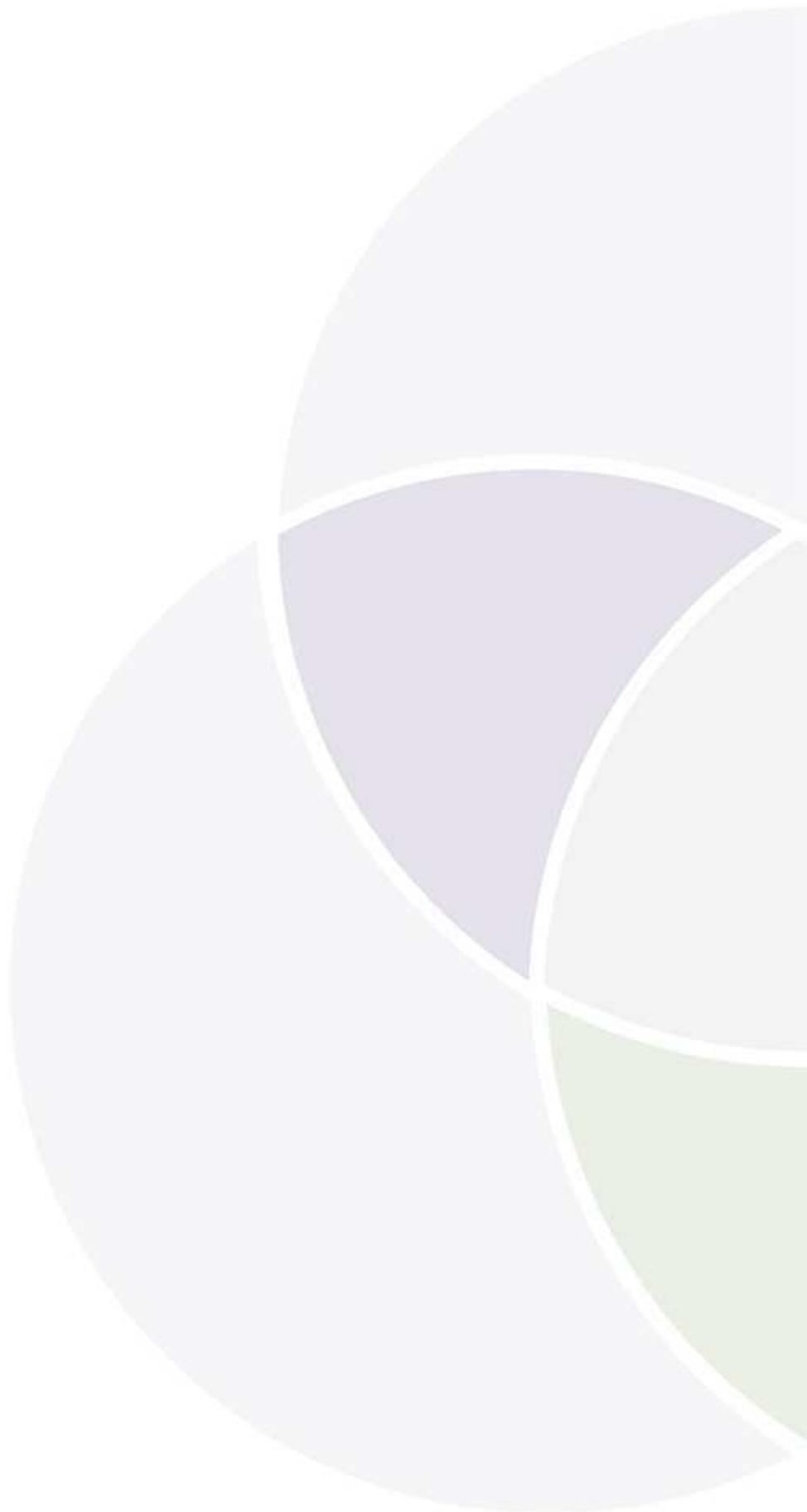
5.1 None directly.

#### 6.0 Community Implications

6.1 The Council aspires to be an “excellent” Council in order to deliver the service expectations to local communities. This report demonstrates how priorities under the People, Place and Progress and Outcomes themes contribute to that aspiration.

#### 7.0 Appendices

- Appendix A – Performance Board
- Appendix B – Finance and Management: Success Areas
- Appendix C – Finance and Management: Action Plan
- Appendix D – Chief Executive’s Risk Register
- Appendix E – Corporate Services Risk Register
- Appendix F – Strategic Risk Register



Theme	Ref	Aim	Project	Annual target	Q1 Target	Q1 performance	Q1 detail
Outcomes	O1	Maintain financial health	Generate ongoing revenue budget savings in the General Fund.	O1.1 Identify £850,000 of savings/income by March 31, 2018, through cutting costs, strong procurement, income generation and business improvement. <b>F&amp;M</b>	Annual target, as per the Medium Term Financial Plan	Annual target	Savings of £400,000 approved from Corporate Services, as reported to Committee on June 22 2017.
Outcomes	O2	Maintain proper Corporate Governance.	Compile and publish an Annual Governance Statement in accordance with statutory requirements	O2.1 An unqualified Value for Money opinion in the Annual Audit Letter <b>F&amp;M</b>	Annual target	Annual target	Draft statement, subject to audit, considered and noted by the Audit Sub Committee on June 14 2017
Outcomes	O3	Enhance environmental standards	Demonstrate high environmental standards	O3.1 Maintain ISO14001 certification in Environmental Management. <b>E&amp;DS</b>	Hold annual senior environmental management review	See action plan	See action plan
Outcomes	O4	Maintain a skilled workforce	Ensure ongoing training and development for individuals and groups of employees where applicable	Ensure an annual personal development review and training needs are met for each employee <b>F&amp;M</b>	O4.1 95% of all employees to complete mandatory training. Annual target.	Annual target	Deadline to complete is in Q2. Many employees 4/6 or 5/6.
					O4.2 95% of all employees to have an annual performance appraisal. Annual target.	Annual target	N/A
Outcomes	O5	Maintain customer focus	Ensure services remain accessible to residents and visitors	O5.1 Develop the new website and provide functionality for greater transactional processing online <b>F&amp;M</b>	Website go live	See action plan	See action plan
				O5.2 Develop a Social Media Strategy to provide easy and innovative options for residents to engage with the Council <b>F&amp;M</b>	Liaise with most similar group authorities to establish approach	On track	Benchmarking being carried out with other authorities in Derbyshire. Further research undertaken as part of #BeSocial 17 discussion between councils on Twitter.
				O5.3 80% of telephone calls answered within 20 seconds <b>F&amp;M</b>	Expand services in the Customer Contact Centre and maintain facilities for face to face enquiries where required	77.7%	See action plan
				O5.4 Call abandonment rate of less than 10%. (Number of visitors to Civic Offices to be recorded) <b>F&amp;M</b>	Present Equalities and Safeguarding annual report to Elected Members and agree action plan <b>F&amp;M</b>	6.6%	Number of calls = 18,457. The volume of calls is quite similar to last year apart from April, which decreased. This was due to no changes within Council Tax and Benefits legislation. Number of visitors = 8,970
				O5.5 Deliver the Equalities and Safeguarding Action Plan to demonstrate principles are embedded in service delivery	Present Equalities and Safeguarding annual report to Elected Members and agree action plan <b>F&amp;M</b>	On track	Equalities and Safeguarding Annual Report for 2016/17 presented to F&M in June. Action plan for 2017/18 approved.
Outcomes	O6	Continue to strengthen the ICT platform and ensure that ICT is able to support change.	Be aware of and plan for financial, legal and environmental risks	O6.1 Three year review of ICT Strategy and adoption of action plan to 2020.	External review of requirements undertaken <b>F&amp;M</b>	On track	Completed, including consultation with stakeholders. Strategy being drafted for Committee presentation
People	PE1	Enable people to live independently	Provide an efficient and well-targeted adaptation service (including Disabled Facilities Grants) and make better use of previously adapted dwellings.	PE1.1 Percentage of adapted properties allocated on a needs basis is >90% <b>H&amp;CS</b>	>90%	93.30%	During Quarter one, 51 properties were signed up. Out of the 51 properties, 15 had adaptations present. 14 out of the 15 properties with adaptations were let to customers with an adaptation need. One adapted property was let to a homeless applicant who we had a duty of care to.
				PE1.2 % of residents satisfied with the quality of their new home is >88% <b>H&amp;CS</b>	>88%	96%	Overall customers are satisfied with the quality of their new home (very satisfied (61%), fairly satisfied (35%), neither (4%). Some dissatisfaction has been expressed in the new home satisfaction survey around the cleanliness of the property and condition of the garden. All areas of dissatisfaction are followed up by the Repairs Manager.
People	PE2	Protect and help support the most vulnerable, including those affected by financial challenges	Maintain regular contact with tenants, with a focus on those identified as vulnerable.	PE2.1 Total number of Tenancy Audits completed <b>H&amp;CS</b>	250	266	266 audit visits were completed during quarter one - 16 above the quarterly target. Tenancy audits have been rated as follows: low risk 72% (191), medium risk 17% (44), high risk 6% (15) and acute risk 6% (16)
				PE2.2 Number of successful introductory tenancies <b>H&amp;CS</b>	97%	91%	See Action Plan.
People	PE2	Process Benefit claims efficiently	Provide a service for homeless applicants which is nationally recognised as delivering 'best practice'	PE2.3 Average time for processing new Benefit claims <b>F&amp;M</b>	<18 days	15.8 days	Additional resource has helped to exceed target. Down from 18 days in quarter four for 2016/17.
				PE 2.4 Average time for processing notifications of changes in circumstances <b>F&amp;M</b>	<8 days	5.1 days	Additional resource has helped to exceed target. Down from 5.7 days in quarter four for 2016/17.
				PE2.5 Meet Housing Benefit Subsidy Local Authority error target threshold set by the DWP is <0.48% <b>F&amp;M</b>	<0.48%	0.02%	Targeted training in place following recent subsidy audit.
				PE2.6 To attain NPSS Bronze Standard for Homelessness by 31 March, 2018 <b>H&amp;CS</b>	Review outstanding data/gaps from NPSS peer assessment	On track	Gaps reviewed and continuous improvement project started
People	PE3	Use existing tools and powers to take appropriate enforcement action	Bring empty homes back into use.	PE3.1 Number of empty home intervention plans for dwellings known to be empty for more than two years <b>H&amp;CS</b>	1	2	Two empty properties on Station Street, Woodville, are now on the market for sale due to our intervention.
People	PE4	Increase levels of participation in sport, health, environmental and physical activities	Delivery of sport, health, physical activity and play scheme participations	PE4.1 Throughput at Etwall Leisure Centre, Green Bank Leisure Centre and Rosliston Forestry Centre <b>H&amp;CS</b>	Rosliston = 50,000 Leisure centres = 170,404	Rosliston = 63,550 Leisure centres = 250,774	Good start to year at Rosliston Forestry Centre helped by dry weather and Easter break. Continuing strong performance at both leisure centres. Impact of improvements to facilities being sustained.

People	PE4	Increase levels of physical activity	Tackling physical inactivity	PE4.2 Develop and implement a Sport, Health and Physical Activity Strategy <b>H&amp;CS</b>	Strategy to be adopted by Committee	On track	Strategy adopted at committee
People	PE5	Reduce the amount of waste sent to landfill	Minimise waste sent to landfill	PE5.1 Household waste collected per head of population (kg). Annual <480kgs <b>E&amp;DS</b>	<140kgs	See Q1 detail	Finalised disposal figures not available until mid August. Figures to be reported in quarter two.
				PE5.2 Annual target of >50% of collected waste recycled and composted <b>E&amp;DS</b>	>55%	See Q1 detail	Finalised disposal figures not available until mid August. Figures to be reported in quarter two.
People	PE6	Develop the workforce of South Derbyshire to support growth.	Increase Council engagement to raise aspirations	PE6.1 Provide opportunities for young people to reach their potential. <b>H&amp;CS</b>	Communicate Raising Aspirations Programme to Elected Members and partners	On track	Presentation at Full Council to inform Elected Members. Promotional plan and partner engagement progressing.
Place	PL1	Facilitate and deliver a range of integrated and sustainable housing and community infrastructure.	Increase the supply and range for all affordable housing provision	PL1.1 Increased supply of affordable homes. Annual target of >150. <b>H&amp;CS/E&amp;DS</b>	Annual target	Annual target	N/A
			Deliver an adopted South Derbyshire Local Plan, parts 1 and 2, and key supplementary planning documents (SPDs).	PL1.2 Local Plan and relevant documents adopted <b>E&amp;DS</b>	Examination in public of Local Plan Part 2. Approval to consult on Development Plan and SPDs.	On track	Consultation on Local Plan Part 2 and SPDs commenced. All on course for approval in quarter three.
			Facilitate and deliver sustainable infrastructure	PL1.3 Consider the introduction of a Community Infrastructure Levy. <b>E&amp;DS</b>	Awaiting information from Government. Elected Members to be kept informed of progress in Q2 and Q4.	N/A	N/A
Place	PL3	Help maintain low crime and antisocial behaviour levels in the District.	Deliver a programme of proactive interventions to reduce environmental crime and anti-social behaviour	PL3.1 Downward trend in fly-tipping incidents. Annual target <720. <b>E&amp;DS</b>	<180	179	Difficult to attribute the improvements in fly-tipping to any one factor, but it is probably linked to Derbyshire County Council removing charges for refuse amenity sites. Our proactive stance on enforcement and the use of fixed penalties has had an impact, along with the increase in interviews under caution.
			Review, publish and deliver the Safer South Derbyshire Community Safety Partnership Plan	PL3.2 Plan published. Actions within the plan delivered. <b>H&amp;CS</b>	Work with schools to develop delivery plan for community safety input in schools in 2017/18	On track	Schools consulted and priority input identified. 'Prison Me, No Way' sessions again requested by schools, as well as CSE input and Cyber Safety.
Place	PL5	Support provision of cultural facilities and activities throughout the District	Implement and manage the leisure facility capital build programme	PL5.1 number of completed projects <b>H&amp;CS</b>	Agree capital investment programme with Forestry Commission for Rosliston Forestry Centre	On track	Investment programme with Forestry Commission agreed and to be reviewed with contractor. Contractor discussions planned for quarter two.
Place	PL6	Deliver services that keep the District clean and healthy	Reduce contamination risk rating of land in South Derbyshire	PL6.1 Number of contaminated land assessments completed. <b>E&amp;DS</b>	1	1	Assessment undertaken on a site in Acresford Road, Overseal.
Progress	PR1	Work to attract further inward investment	Showcase development and investor opportunities in South Derbyshire	PR1.1 Produce an investor prospectus. <b>E&amp;DS</b>	Collate information and prepare materials for investor prospectus	On track	Preparations underway and designer appointed.
Progress	PR2	Unlock development potential and ensure the continuing growth of vibrant town centres	Delivery of Swadlincote Townscape project	PR2.1 Deliver objectives of scheme. <b>E&amp;DS</b>	Completion of construction works to Diana Memorial Gardens. Grants panel to be held.	See action plan	See action plan
			Increase attendance and participation at town centre events	PR2.2 Events, such as a wedding fair, the Christmas Lights Switch On, Festival of Leisure and markets, delivered and/or supported. <b>E&amp;DS</b>	4 events, including Swadlincote wedding fair	7	Events delivered or supported in the town centre included a Wedding Fair, Love Your Local Market (young entrepreneurs), the Festival of Transport, the Festival of Leisure and three Magpie Makers Markets.
			Ensure the continuing growth of vibrant communities and town centres	PR2.3 Vacant premises in Hilton, Melbourne and Swadlincote (proxy) <b>E&amp;DS</b>	To be reported twice a year.	N/A	N/A
Progress	PR3	Work to maximise the employment, training and leisure uses of The National Forest by residents and increase the visitor spend by tourists.	Support the operation and development of the tourism sector	PR3.1 Number of enquiries handled by Swadlincote Tourist Information Centre. <b>E&amp;DS</b>	8,000	10,328	Range of events supported, including National Forest Walking Festival. Summer edition of What's On published.
			Review and procure new management for Rosliston Forestry Centre	PR3.2 Secure sustainable management option. <b>H&amp;CS</b>	Develop an options appraisal for site's future	On track	Options appraisal for the future management of the Centre approved by Committee. Future management options also considered and approved, tender documentation being completed
			Work with Swadlincote TIC to attract evening visitors to the District's leisure, food and drink and retail offer	PR3.3 Further develop and promote South Derbyshire's evening and night time economy. <b>E&amp;DS</b>	N/A	N/A	Project to start in quarter two.
Progress	PR5	Provide business support and promote innovation and access to finance, including in rural areas	Maximise the prosperity of businesses in South Derbyshire	PR5.1 Food businesses which have a Food Hygiene Rating score of five. <b>E&amp;DS</b>	>81%	85.90%	Improvements in food performance is indicative of the continuous work we do with our local food business community to support new businesses and provide support and guidance on hygiene conformance with existing business
				PR5.2 Registered food businesses active in the District. <b>E&amp;DS</b>	>810	814	Improvements in food performance is indicative of the continuous work we do with our local food business community to support new businesses and provide support and guidance on hygiene conformance with existing business
				PR5.3 Guidance offered to businesses or people thinking of starting a business (through the Business Advice Service). <b>E&amp;DS</b>	25	67	67 businesses and entrepreneurs assisted. Service promoted at Swadlincote Jobs Fair. Workshop staged for those thinking of starting a business.

# Finance and Management Committee Strategic and Service Success Areas Quarter one, 2017/18

## Appendix B



### Finance

Savings

Savings of £400,000 have been approved from Corporate Services



### Strategy

Social media

Benchmarking has taken place with authorities and examples of best practice considered



### 6.6%

Target <10%

Amount of abandoned calls in Customer Services



### Annual Report

Equalities and Safeguarding

Annual report presented and the 2017/18 action plan agreed

## F+M Performance Overview



### 15.8

Target <18 days

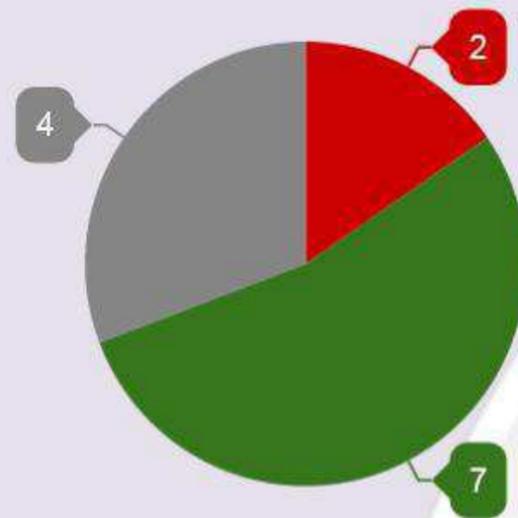
Time taken to process new Benefit claims



### Technology

ICT

Requirements have been reviewed and consultation held with stakeholders



Red (15.38%) Green (53.85%) Grey (30.77%)



### Training

Mandatory

Good progress with attendance at mandatory training



### 5.1 days

Target <8 days

Time taken to process a change in circumstance



### RFC

Tender

Development options approved and tender documents completed



### 0.02%

Target <0.48%

Benefit subsidy error less than the national threshold set down

## Appendix C



0

Go live with the new website to provide greater transactional processing

Target - 1

Theme - Outcomes. Action – O5.1 Develop the new website to provide functionality for greater transactional processing online

Target vs performance: Go live was anticipated for quarter one but will now be pushed back to quarter two

Background – The scope of the website project is sizable, with new content/structure, the addition of GIS, a tourism microsite, 60 new online forms and more than 500 redirects being created in a brand new content management system. Technical complexities have been overcome, with the project now on the home straight.

Key actions underway – Final content and structure changes, as well as user testing and browser/device checks, are scheduled to take place during August. The final technical requirements will then be put in place before go live, with Elected Members to be given a presentation of the finished product.

Opportunities/risks: The online solution offers the Council and its customers a modern, future-proof solution that enables them to complete their transactions with the Council efficiently and easily. This project supports the Council's Channel Shift Strategy and ensures residents and customers can 'channel shift' from traditional, high-cost contact methods to digital, online, low-cost contact methods. It is vital all functionality is fully integrated before go live to protect the Council's reputation and ensure confidence and trust in the website as a go to tool.



77.7%

Calls answered within 20 seconds

Target - 80%

Theme - Outcomes. Action – O5.3 % of telephone calls answered within given time.

Target: 80% of calls answered within 20 seconds  
Performance: 77.7%

Background – Mandatory training courses being completed by all Customer Services staff following the transition from Northgate Public Services back to the Council have impacted on resources. This meant services were affected and the grade of service for telephones was not met this quarter.

Key actions underway – As Customer Services work in 'real time', there was no opportunity to recover this quarter. With training coming to an end, we should see an improvement in the next quarter.

Opportunities/risks: Answering calls within the 20 second period offers a good first impression of the Council and we will endeavour to get this performance indicator back on track.

There are two actions for Finance and Management

# Chief Executive's Risk Register

Theme/aim	Risk description	Likelihood	Impact	Risk Treatment	Mitigating action	Responsible officer
Outcomes/ Delivery of Service	Failure to meet statutory deadlines in relation to the licensing function, unable to process licences, leading to individuals unable to trade, legal issues, complaints	Low	Medium	Treat	<ul style="list-style-type: none"> <li>Processes and procedures are in place to ensure all matters are processed within statutory time-frame</li> <li>Staff trained and aware of Authority's duties</li> <li>Keep under review</li> </ul>	Ardip Kaur
Outcomes/ Delivery of service	Failure to meet statutory deadlines and/or statutory functions during litigation, contractual matters, land sales/purchases, enforcement matters	Low	High	Treat	<ul style="list-style-type: none"> <li>Qualified officers with professional training and experience</li> <li>Processes and procedures are in place to ensure compliance</li> <li>Case management reviews</li> <li>Keep under review</li> </ul>	Ardip Kaur
Outcomes/ Delivery of service	Non-performance of local government	Low	Medium	Treat	<ul style="list-style-type: none"> <li>Compliance with Council's Constitution</li> <li>Processes and procedures in place</li> </ul>	Ardip Kaur

	statutory duties at Committee and Council meetings				<ul style="list-style-type: none"> <li>• Strict adherence to timetable</li> </ul>	
Outcomes/ Delivery of service	Failure to meet statutory deadlines for the canvass and in compiling and publishing the Register	Low	High	Treat	<ul style="list-style-type: none"> <li>• Processes and procedures in place</li> <li>• Experienced officers carry out process</li> <li>• Close Monitoring</li> </ul>	Ardip Kaur
Outcomes/ Delivery of service	Failure to meet statutory responsibilities, denying right of franchise at Election/ Referendum time	Low	High	Treat	<ul style="list-style-type: none"> <li>• Processes and procedures in place</li> <li>• Strict adherence to statutory timetable</li> <li>• Assistance from Electoral Commission available, when needed</li> <li>• Support staff employed to assist</li> <li>• Close monitoring</li> </ul>	Ardip Kaur
Progress/ Work to maximise the employment, training and leisure uses of The National Forest by residents and increase the visitor spend by tourists	Failure of National Forest & Beyond Tourism Partnership leading to an adverse impact on businesses in local visitor economy	Low	Medium	Treat	<ul style="list-style-type: none"> <li>• Proactive engagement in partnership and with individual partners</li> <li>• Commitment of Officer time and resources to partnership activities</li> <li>• Monitoring of projects and performance</li> </ul>	Mike Roylance
Progress/People/ Place	Failure of the South Derbyshire Partnership leading to non-delivery of the community's vision and priorities as set out in the Community Strategy and Action Plan	Low	Medium	Treat	<ul style="list-style-type: none"> <li>• Proactive support for partnership</li> <li>• Commitment of Officer time and resources to Partnership facilitation</li> <li>• Engagement of partners in policy making and project design and delivery</li> </ul>	Mike Roylance
Progress/ Work to attract further inward investment	Downturn in the local economy leading to a loss of jobs, business failures, and a reduction	Medium	High	Treat	<ul style="list-style-type: none"> <li>• Monitoring of economic trends</li> <li>• Economic Development Strategy designed to increase robustness of local economy</li> </ul>	Mike Roylance

	in income to the Council (e.g. Business Rate income; Take-up of commercial properties, etc)				<ul style="list-style-type: none"> <li>• Delivery of economic development activities including provision of South Derbyshire Business Advice Service</li> </ul>	
Progress/ Work to maximise the employment, training and leisure uses of The National Forest by residents and increase the visitor spend by tourists	Failure of Sharpe's Pottery Heritage & Arts Trust, leading to a loss of service to visitors and residents through the Tourist Information Centre	Medium	High	Treat	<ul style="list-style-type: none"> <li>• Officer advice and support available to Trust</li> <li>• Member involvement in Trust Board</li> <li>• Monitoring of services and performance</li> </ul>	Mike Roylance
Outcomes/Delivery of service	Failure to meet statutory deadlines for Gender Pay reporting and Pension Auto enrolment that could result in financial penalties and reputational damage	Low	Medium	Treat	<ul style="list-style-type: none"> <li>• Process and procedures in place to ensure that procedures are in place to meet deadlines.</li> <li>• Development of Resource link to produce Gender Pay report</li> </ul>	David Clamp
Outcomes – maintain a skilled workforce	Employees are not developed and trained to effectively undertake their roles	Low	Low	Treat	<ul style="list-style-type: none"> <li>• Mandatory training programme delivered.</li> <li>• All employees to complete annual Performance Development Review</li> <li>• Provision of adequate and appropriate training interventions</li> </ul>	David Clamp
Outcomes/Delivery of Service	Individual or collective employment disputes that could result in financial penalties of reputational damage	Low	Medium	Treat	<ul style="list-style-type: none"> <li>• Employment legislation and local procedures are followed.</li> <li>• Professional HR advice and support provided to resolve issues</li> <li>• Mandatory training programme for Managers</li> </ul>	David Clamp
Outcomes/Delivery	Failure to maintain	Low	Medium	Treat	<ul style="list-style-type: none"> <li>• Health and Safety Action plan</li> </ul>	David Clamp

of Service	adequate health and safety management arrangements that could result in financial penalties, employee injury or reputational damage.				delivered <ul style="list-style-type: none"> <li>H&amp;S legislation and local procedures are followed.</li> <li>Professional H&amp;S advise provided to support managers and employees</li> </ul>	
Outcomes/Delivery of Service	Unable to process employment details due to unavailability of HR/Payroll system	Low	Low	Treat	<ul style="list-style-type: none"> <li>Continuity arrangements with third party supplier to restore system and/or off site processing</li> <li>Alternative methods to process data enabling payments to employees</li> </ul>	David Clamp
Outcomes/Maintain a skilled workforce and customer focus	Staff and residents not aware of our vision and values due to lack of Corporate Plan knowledge and understanding	Low	Low	Treat	<ul style="list-style-type: none"> <li>Inductions for all new staff to highlight the importance of the Plan</li> <li>Ensure all internal and external comms tie in with our collective vision</li> <li>Ensure staff are actively involved in service and strategic planning</li> <li>Strong and consistent branding on publications</li> </ul>	Keith Bull
Outcomes/Achieve proper corporate governance	Ensuring that staff comply with corporate policies and procedures and that they are appropriate to support people in their day-to-day work	Low	Low	Treat	<ul style="list-style-type: none"> <li>Work with service areas to ensure policies and procedures are up to date and fit for purpose</li> <li>Consistent corporate approach to be applied</li> <li>Create and maintain a central record of all policies and procedures</li> </ul>	Keith Bull
Outcomes/Achieve proper corporate governance	Poor quality performance data	Low	Low	Treat	<ul style="list-style-type: none"> <li>Reviewed quarterly as part of the performance reporting process.</li> <li>Methodology statements compiled and reviewed</li> <li>Annual data quality audit undertaken</li> </ul>	Keith Bull
Outcomes/customer	Strong reputation of the	Low	Low	Treat	<ul style="list-style-type: none"> <li>Proactively convey key messages</li> </ul>	Keith Bull

focus	Council damaged by negative press and social media coverage				<p>through a variety of channels</p> <ul style="list-style-type: none"> <li>• Continue to build close working relationships with press</li> <li>• Develop Social Media Strategy</li> <li>• Monitor accounts to provide good customer service</li> <li>• Review patterns and trends via Comms Dashboard</li> </ul>	
Outcomes/customer focus	Service model does not deliver expected benefits to customers and efficiency savings (including the level of cultural and behavioural change needed to achieve channel shift)	Low	Low	Treat	<ul style="list-style-type: none"> <li>• New website due to be launched in the summer of 2017</li> <li>• Further functionality to be developed to increase options to self-serve</li> <li>• My South Derbyshire account to allow residents to personalise experiences with the Council</li> <li>• Develop phase II of the website project</li> <li>• Tie in future digital work with new ICT Strategy</li> </ul>	Keith Bull
Outcomes/customer focus	Failure to deliver actions in the Communications, Consultation and Internal Communications strategies	Low	Low	Treat	<ul style="list-style-type: none"> <li>• Monitor performance and report progress in monthly Comms dashboard and annual report to Finance and Management Committee</li> </ul>	Keith Bull



# Corporate Services Directorate Operational Risk Register

Theme/aim	Risk description	Likelihood	Impact	Risk Treatment	Mitigating action	Responsible officer
Protect and support the most vulnerable including those affected by financial challenges	On-going Welfare Reform and the impact of Universal Credit. Potential impact on the Directorate's resources.	High	Medium	Treat the risk	The impact of welfare reform to-date has been dealt with and revised systems and processes have been put in place. The impact to-date of UC itself has been insignificant for Revenues. Recently, the Government has informed the Council that they plan to implement UC in South Derbyshire from August 2018. This could have a greater impact. Central Government funding has been set-aside in an earmarked reserve. This is being kept under review.	Revenues and Customer Services Manager
Maintain financial health	A small discrete unit has responsibility for leading on this theme. The Unit is sensitive to a temporary change in resources.	Low	Medium	Treat the risk	Training and sharing knowledge across the Unit is essential to mitigate the risk and this is currently in place. The current structure of Financial Services was implemented in September 2015. All posts are occupied by suitably experienced and qualified people. Three trainee posts in place with post holders undergoing formal training programmes, both academically and practically. Training and development programme in place for all staff.	Director of Finance and Corporate Services

Growth and Regeneration	Potential impact on the Directorate's resources	Medium	Medium	Treat the risk	Following a period of increased demand the revised structure and resources in the Land Charges Unit has stabilised service provision, although the statutory turnaround time of 20 days continues to be tight. Volumes and external requirements imposed through legislation being kept under review.	Corporate Asset Manager
Fraudulent activity and compliance	With the transfer of the Council's fraud team to the DWP in 2015/16, there is a potential that fraud could go undetected and compliance is not consistently applied across all services	Low	Medium	Treat the risk	The Council works in partnership with other Derbyshire authorities who share a software package that enables data matching in Council Tax and Business Rates. In addition, a Partnership arrangement with Derby City Council and the Audit Partnership was implemented in January 2017, following the appointment of a new and dedicated Fraud Unit at the City. The Council buys in the equivalent of 1 post to help detect fraud in other areas across the Council which also allows knowledge and skills to be shared.	Director of Finance and Corporate Services
Change in service delivery	The ending of the contract with Northgate in February 2017 could potentially lead to some temporary disruption and shortfall in	Medium	Medium	Treat the risk	Additional resources were approved for ICT following the transfer and these are being utilised via external support, together with the appointment of permanent and temporary staff. ICT strategy and work plan for the medium-	Director of Finance and Corporate Services

	resources. ICT is considered a particular risk area.				term being reported to the Committee.	
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# Strategic Risk Register

Risk	Risk Indicators	Likelihood	Impact	Risk Treatment	Mitigating action / factors
<b>A reduction in Core Spending Power</b>	<p>The Council is aware of reductions over the period 2017/18 to 2019/20 as confirmed in the Government's 2016 budget. Budget savings are required in the medium-term.</p> <p><b>Lead officer: Director of Finance and Corporate Services</b></p>	High	Medium	Treat the risk	<p>The MTFP reflects projected resources and clearly sets out overall savings required.</p> <p>Current budgets are considered prudent with provisions for inflation and growth.</p> <p>Current reserves are healthy and will help to sustain reductions in the short-term.</p> <p><i>A target of on-going budget savings of £850,000 has been set for 2018/19. As reported to the Committee on 22<sup>nd</sup> June, £400,000 has so far been achieved from Corporate Services.</i></p>
<b>The impact of the national economic situation locally</b>	<p>Due to external factors, the economic outlook remains uncertain. Council Tax and Rent arrears have increased. Regeneration initiatives have slowed.</p> <p><b>Lead officers: Chief Executive and Director of Finance and Corporate Services</b></p>	Medium	Medium	Tolerate the risk, but keep under review.	<p>It is considered that the Council is undertaking as much action as is reasonably possible at this stage to mitigate any risk.</p> <p>On-going budgets for income from planning fees, land charges, etc. are set at levels below current actuals leaving some room for the effect of any significant downturn.</p> <p>The MTFP is not reliant on interest rates increasing from the current level to generate revenue.</p> <p>Debt is at fixed interest rates and is affordable within the HRA's financial plan.</p> <p>The Council continues to work with voluntary and community</p>

					<p>groups locally, to help vulnerable people.</p> <p>The Property Strategy has focused on ensuring the Council's assets are being positioned to react to local investment opportunities, including land assembly and joint ventures. The redevelopment of William Nadin Way and the Council's Depot site has now commenced.</p> <p>On-going dialogue through the LEP to access funding and with developers to look at alternative options for regeneration.</p>
<p><b>Keeping pace with technology, together with management and security of data</b></p>	<p>The Council's ICT infrastructure and systems need to keep pace with existing and emerging technologies. Stricter regulations for managing and exchanging information in electronic form through the Public Services Network. Systems subject to virus attacks.</p> <p>Greater expectations through Data Protection to safeguard personal information. This includes processing of transactions through credit and debit cards to mitigate risk of fraud.</p> <p><b>Lead officer: Director of Finance and Corporate Services</b></p>	High	Medium	Treat the risk	<p>Investment continues to be made in upgrading the infrastructure and network to ensure PSN compliance.</p> <p>An annual independent audit is undertaken each year to test the Council's compliance with the PSN network.</p> <p>An annual internal audit review tests the robustness of systems and the infrastructure with recommendations to strengthen the ICT environment being monitored by the Audit Sub-Committee.</p> <p>Regular training and briefings given to Members and Officers to raise awareness of data and security issues.</p> <p>Work is on-going with other Derbyshire authorities to detect and prevent fraud. In addition, the Council is considering buying-in resources to strengthen information governance and compliance. Following previous malware virus attacks, additional measures have been implemented to restrict Internet access to certain sites, together with implementing additional monitoring controls to prevent direct virus attacks.</p> <p>Work continues to upgrade the Council's internet connection and to strengthen Disaster Recovery provisions.</p>
<p><b>Business Continuity and in particular the loss of the</b></p>	<p>Council services are predominantly managed from one administrative building with two external sites in close</p>	Low	High	Treat the risk	<p>Business Continuity and Emergency Plans in place and regularly reviewed, supported by the internal Resilience Liaison Forum. Regular meetings also take place with other agencies. An ICT Disaster Recovery (DR) solution is in place off-site.</p>

<p><b>main Civic Offices and ICT capability</b></p>	<p>proximity.</p> <p><b>Lead officer: Director of Finance and Corporate Services</b></p>				<p>All data and systems are backed-up and are stored in a secure off-site facility outside of the immediate region.</p> <p>Provision for home-working and remote access is in place.</p> <p>Comprehensive insurance in place with insurers providing support to secure temporary accommodation if required.</p>
<p><b>Capacity and resilience in service provision</b></p>	<p>Overall staff numbers have declined in recent years and further budget reductions are required. This is set against a growing demand for some services.</p> <p><b>Lead officer: Chief Executive</b></p>	<p>Medium</p>	<p>Medium</p>	<p>Tolerate the risk, but keep under review.</p>	<p>It is considered that the Council is undertaking as much action as is reasonably possible at this stage to mitigate the risk.</p> <p>A training and development programme is in place for senior and aspiring managers.</p> <p>Recent restructures continue to mature and bed in.</p> <p>The third year of the current management development programme has commenced. This followed a review with the service provider Penna to ensure that it will continue to meet the needs of the Council and to support the requirements of the updated Corporate Plan.</p>
<p><b>Reducing resources for partners in the community and voluntary sector who deliver services with or on behalf of the Council</b></p>	<p>These organisations have seen a reduction in overall funding.</p> <p><b>Lead officer: Director of Community and Planning Services</b></p>	<p>Medium</p>	<p>Medium</p>	<p>Tolerate the risk, but keep under review.</p>	<p>It is considered that the Council is undertaking as much action as is reasonably possible at this stage to mitigate the risk.</p> <p>The Council's current grant funding has been maintained and has been increased in 2017/18 for all supported organisations.</p> <p>Spending can be refocused to meet external funding requirements and is project-based.</p> <p>Dedicated officer time in place to support the voluntary sector and local organisations. This includes direct secondment where necessary, for example, with Sharpe's Pottery during 2016.</p>

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<b>REPORT TO:</b>	<b>FINANCE &amp; MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 8</b>
<b>DATE OF MEETING:</b>	<b>31<sup>st</sup> AUGUST 2017</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE AND CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (EXT. 5811)</b>	<b>DOC REF::</b>
<b>SUBJECT:</b>	<b>DATA QUALITY &amp; PERFORMANCE MANAGEMENT</b>	
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE:</b>

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## **1.0 Recommendations**

- 1.1 That progress made against the Data Quality Strategy Action Plan for 2016/17 (**Appendix A**) is noted.
- 1.2 That Members note the recommendations and responses provided (**Appendix B**) in the Data Quality and Performance Management Report 2016/17.
- 1.3 That the action plan for 2017/18 in **Appendix C** is approved.

## **2.0 Purpose of Report**

- 2.1 To offer assurance that adequate processes and levels of control are in place to uphold high standards of data quality.

## **3.0 Detail**

- 3.1 Two major audits have been undertaken during 2016/17 to ensure a stringent approach to data quality/security:

### Public Service Network (PSN) Code of Compliance

- 3.2 The Council continues to have a work programme in place in order to meet the Government's Public Service Network (PSN) Code of Compliance. This is an on-going task for the Council's IT Service in order to meet a stringent approach to data security and connectivity with other Government departments. As a result, a significant amount of work continues to ensure compliance. This has included:

- A review of all administrator accounts
- Updating of ICT security and service management policies
- Applying the latest security patches on servers/user devices as required
- Replacing unsupported servers/desktop devices within our estate
- Ensuring adequate disaster recovery plans are in place, such as ensuring the back-up of key Council systems, with data files being stored off-site.

The Council is currently working through the latest work programme in liaison with the Government's Cabinet Office. It is expected that the Council will receive its next accreditation in October 2017.

#### Data quality audit

- 3.3 An audit of data quality arrangements was completed by the Central Midlands Audit Partnership (CMAP) in January 2017. This assessed performance indicators to evaluate the systems in place for the monitoring and review of data quality.
- 3.4 The audit considered four higher risk indicators under the Corporate Plan themes of People (PE), Place (PL), Progress (PR) and Outcomes (O). These were:
- PE2.1 Total number of tenancy audits carried out
  - PL3.1 Downward trend in fly-tipping incidents
  - O3.1 Annual improvements in the energy consumption of public buildings
  - PR5.2 Maximise registered food businesses active in the District

The audit focused on activities within the 2016-17 financial year. It should be noted that 'annual improvements in the energy consumption of public buildings' is no longer an indicator in the Corporate Plan Action Plan for 2017/18.

- 3.5 The report contained 19 recommendations, all of which were considered a low risk. CMAP has offered 'reasonable assurance' that most of the areas reviewed were found to be adequately controlled. They concluded that generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.
- 3.6 Members should note there are no adverse implications for the Council's Annual Governance Statement arising from the audit. A response matrix detailing (already completed) actions to address risks has been submitted to and accepted by CMAP. A copy is attached at **Appendix B**. The implementation of these recommendations is followed up by Internal Audit and monitored by the Audit Sub-Committee.

#### **4.0 Financial Implications**

- 4.1 There are no direct financial implications associated with this report.

#### **5.0 Corporate Implications**

- 5.1 Our Data Quality Strategy sets out how we will collect data in order to manage our performance and set priorities. This requires all services to ensure that accurate and reliable data is produced.

## **6.0 Community Implications**

- 6.1 Good data quality ensures decisions regarding services and their performance are made in an accountable and transparent manner. This enables residents and stakeholders to understand the achievements and considerations of the Council.

## **7.0 Background Papers**

- 7.1 CMAP, '*South Derbyshire DC – Data Quality and Performance Management 2016-17.*'



## Appendix A – Data quality action plan progress 2016/17

Aim	Outcome	Lead Officer	Progress
Ensure data collected has supporting processes in place (methodology statements)	Data quality embedded into all performance reporting	Head of Communications	22 methodology statements completed in May 2017 as part of the refreshed Corporate Action Plan for 2017/18
Undertake self-assessment exercise on any new or amended KPIs	Strengthened data quality arrangements.	Head of Communications	Completed as and when required during the course of the year.
Implement recommendations made in the 2015/16 Data Quality and Performance Management Audit Report.	Strengthened data quality arrangements.	Head of Communications and Director of Finance and Corporate Services	Final recommendation implemented and reported to auditor in June 2016.
Achieve the Public Service Network (PSN) Code of Compliance	Strengthened data quality arrangements.	Director of Finance and Corporate Services	Confirmation due in October 2017.

Aim	Outcome	Lead Officer	Progress
Ensure that data quality is referenced in risk registers and reviewed on a regular basis	Increased commitment to data quality	Head of Communications and Director of Finance and Corporate Service	Risk registers updated in April 2016. Reviewed as part of the quarterly performance reporting process.
To monitor the delivery of the Action Plan	Improved accountability for data quality	Head of Communications	Forms part of the quarterly performance reporting process.

# Appendix B - Data Quality & Performance Management 2016-17

AUDIT RECOMMENDATIONS					MANAGEMENT RESPONSES		
Rec No.	Risk Rating	Summary of Weakness (Issue)	Issue Accepted	Suggested Action (Recommendation)	Action Details Inc. alternative solution (If no action please state reasons)	Officer Responsible (email address only)	Implementation Date (dd/mm/yyyy)
1	Low Risk	The Quarter 3 reported figures could not be verified back to the Tenancy Visits Tracker spreadsheet.	YES/NO	We recommend that prior to reporting the performance figures, checks are undertaken to ensure that all of the required visit data has been accurately recorded.	Recommendation accepted. Independent checks to be undertaken. New module on the Orchard housing system will further strengthen performance reporting mechanisms when introduced.  <i>Update – Housing Operations Manager has been checking two visits per officer on a monthly basis (commencing July 2017)</i>	chris.holloway@south-derbys.gov.uk	31/7/2017
2	Low Risk	Performance figures for PE2.1 were not subjected to scrutiny or authorisation from departmental managers before their submission.	YES/NO	We recommend that prior to their submission to the Performance team, the figures for PE2.1 are scrutinised and authorised by management within the Housing section.	Recommendation accepted. Figures to be scrutinised and authorised by the Team Leader, who is currently off work. Housing Operations Manager to undertake role in the interim.  <i>Update – Performance Officer now takes a copy of the spreadsheet for independent verification. Queries are passed to the Housing Operations Manager to verify.</i>	yvonne.tucker@south-derbys.gov.uk chris.holloway@south-derbys.gov.uk	19/7/2017
3	Low Risk	The measurement period applied for PE2.1 was not in line with the guidance available or calendar start and end dates.	YES/NO	We recommend that the measurement period for PE2.1 is brought in line with the calendar start and end dates for each quarter to ensure that Tenancy Visits undertaken are reflected within the relevant performance reporting period.	Recommendation accepted. Reminders to be issued to applicable staff to ensure visits are updated on the spreadsheet in a timely manner. New Orchard module will aid process.  <i>Update – Housing Operations Manager now sends a monthly reminder to staff to update the sheet in a timely manner (commencing July 2017)</i>	chris.holloway@south-derbys.gov.uk	31/7/2017
4	Low Risk	The audit trail of data maintained to support the reported performance figures for PE2.1 was not adequate.	YES/NO	We recommend that adequate evidence is retained to support the reported figures: this may mean taking a copy of the spreadsheet at the point in time the reported figures are reported, or retaining reports from the Orchard Housing System that demonstrate the visits undertaken and included in the reported figure for each quarter.	As per recommendation.  <i>Update – Performance Officer now takes a copy of the spreadsheet for independent verification.</i>	chris.holloway@south-derbys.gov.uk	19/7/2017
5	Low Risk	There were no accuracy and completeness checks over the performance data for PE2.1.	YES/NO	We recommend that a process for checking the accuracy and completeness of performance figures for PE2.1 is introduced. This could include checks to ensure visits have been recorded, that calculations have been correctly undertaken, and that reported figures are in line with departmental records.	Recommendation accepted. The updates to the Orchard module will result in a clearer and simpler audit trail to sit alongside the paper tenancy files. Housing Operations Manager to carry out checks in the interim.  <i>Update – Performance officer tasked to ensure formulas etc. are correct and advise Housing Operations Manager of monthly performance as soon as practicable.</i>	chris.holloway@south-derbys.gov.uk	19/7/2017
6	Low Risk	Access to the Tenant Visit spreadsheet was not adequately restricted.	YES/NO	We recommend that whilst the spreadsheet is still in use, it should be password protected to ensure that only officers with a business need can access it, and the Performance Data tab should be locked down to protect the formulas and data within it. We also suggest that in the first quarter that the Tenancy Visits module is live, the spreadsheet should also continue to be maintained as this would provide opportunity for a validity check on the report data generated from Oracle.	As per recommendation.  <i>Update – spreadsheet has now been password protected.</i>	lyndsay.taylor@south-derbys.gov.uk	1/6/2017

# Appendix B - Data Quality & Performance Management 2016-17

AUDIT RECOMMENDATIONS					MANAGEMENT RESPONSES		
Rec No.	Risk Rating	Summary of Weakness (Issue)	Issue Accepted	Suggested Action (Recommendation)	Action Details Inc. alternative solution (If no action please state reasons)	Officer Responsible (email address only)	Implementation Date (dd/mm/yyyy)
7	Low Risk	There was not any scrutiny or authorisation from a secondary officer for the performance figures calculated for PL3.1. A minor difference was found which impacted on the accuracy of the Quarter 2 reported figure for 2016-17.	YES/NO	We recommend that an officer independent of the calculation of the performance figures for PL3.1 reviews the data to ensure accuracy in the calculations and authorises the performance figures before submission to the performance team. This review and authorisation should be formally recorded.	Recommendation accepted. Methodology statement has been updated, with the Environmental Health Manager as the data collector and the Safer Neighbourhood Wardens as the data reviewer (to carry out independent checks).  <i>Update - the Senior SNW is now included in communications with the depot about the total number of reported fly-tips and asked to comment if they dispute the figures.</i>	matthew.holford@south-derbys.gov.uk	19/7/2017
8	Low Risk	The Environmental Services performance spreadsheet was held on the local drive of the Environmental Services Manager, therefore making it inaccessible to the wider team.	YES/NO	We recommend that the performance spreadsheet for Environmental Services is relocated to a central location, but that the document should be password protected and key calculation fields should be locked down to prevent unauthorised amendments. This would ensure that if the Environmental Services Manager was ever unavailable to calculate the performance figures, the spreadsheet would be available to another nominated officer to undertake this task in his absence.	As per recommendation.  <i>Update - Folder re-located to - S:\Health\Performance on 8/6/17 plus request sent to IT to password protect it</i>	matthew.holford@south-derbys.gov.uk	1/7/2017
9	Low Risk	There was insufficient documentation to support the reported performance figures for O3.1 during 2016-17.	YES/NO	We recommend that a copy of the O3.1 FY17 spreadsheet used to calculate the performance figure is saved for each quarter to support the figures reported to the Policy & Communications Team. This will ensure an adequate audit trail is in place to support the reported figures for O3.1.	No longer applicable. Indicator is no longer included as a strategic measure. Will continue to be reviewed during 2017/18 before a decision is made on whether to reintroduce in 2018/19.	N/A	N/A
10	Low Risk	Inaccuracies in the floor space figures stated in the O3.1 FY17 spreadsheet meant that calculation of the performance figures for O3.1 was flawed.	YES/NO	We recommend that the figures used for floor space in the O3.1 FY17 are checked and revised. Management should also consider increasing the floor space figures for times in the year when temporary structures are used.	No longer applicable. Indicator is no longer included as a strategic measure. Will continue to be reviewed during 2017/18 before a decision is made on whether to reintroduce in 2018/19.	N/A	N/A
11	Low Risk	There was insufficient checking and authorisation of the calculated performance figures for O3.1.	YES/NO	We recommend that a system of checking performance figures is introduced. Where timescales are tight, this could be based on checks on a sample of data, to help to ensure accuracy. The calculation fields in the O3.1 spreadsheet used to record and calculate performance data should be locked down to prevent their alteration. Checks should also extend to figures logged on the performance spreadsheet back to supporting data. An audit trail to demonstrate these checks by the Data Reviewer, and their authorisation, should be maintained. For speed and ease, this could be done via email.	No longer applicable. Indicator is no longer included as a strategic measure. Will continue to be reviewed during 2017/18 before a decision is made on whether to reintroduce in 2018/19.	N/A	N/A
12	Low Risk	A complete and comprehensive methodology statement for the collection and recording of performance data, and calculation of the performance figure for O3.1 was not in place.	YES/NO	We recommend that the process outlined with the Performance Indicator Pro Forma and Methodology Statement O3.1 – Annual Improvements in the Energy Consumption of Public Buildings document is expanded upon to include the whole process for collating data, recording it, and undertaking calculations to arrive at the performance figures for O3.1	No longer applicable. Indicator is no longer included as a strategic measure. Will continue to be reviewed during 2017/18 before a decision is made on whether to reintroduce in 2018/19.	N/A	N/A

# Appendix B - Data Quality & Performance Management 2016-17

AUDIT RECOMMENDATIONS					MANAGEMENT RESPONSES		
Rec No.	Risk Rating	Summary of Weakness (Issue)	Issue Accepted	Suggested Action (Recommendation)	Action Details Inc. alternative solution (If no action please state reasons)	Officer Responsible (email address only)	Implementation Date (dd/mm/yyyy)
13	Low Risk	Access to the O3.1 spreadsheet was not appropriately restricted.	YES/NO	We recommend that controls are put in place to help to protect the integrity of the spreadsheet used to collate and calculate performance information for performance indicator O3.1. This could include: <ul style="list-style-type: none"> <li>• Password protecting the document.</li> <li>• Locking cells that include data which should not be altered (e.g. containing formulas).</li> </ul>	No longer applicable. Indicator is no longer included as a strategic measure. Will continue to be reviewed during 2017/18 before a decision is made on whether to reintroduce in 2018/19.	N/A	N/A
14	Low Risk	There was not any independent scrutiny and authorisation of the performance figures for PR5.2.	YES/NO	We recommend that segregation of duties be introduced between the Data Collector and Data Reviewer roles for PR5.2. The Data Reviewer should then scrutinise and authorise the performance figures for PR5.2 prior to their submission to the Performance section.	Recommendation accepted. Methodology statement will be reviewed and resubmitted, with segregated duties to be defined. Process to then be followed.  <i>Update - The methodology statement has been reviewed, as has the report in Civica. This report is now sent to the Senior Environmental Health Officer in the Commercial team for review every quarter before the data is submitted.</i>	matthew.holford@south-derbys.gov.uk	19/7/2017
15	Low Risk	The guidance on PR5.2 had not been used in the calculation of the reported performance figures from April 2016. This had resulted in inconsistencies in the calculation process and inaccuracies in the reported figures.	YES/NO	We recommend that the methodology set out within the guidance entitled Performance Indicator Pro Forma and Methodology Statement PR5.2 – Maximise the Number of Registered Food Businesses Active in the District is used when calculating the performance figures for PR5.2.	Recommendation accepted. Methodology statement will be reviewed and resubmitted.  <i>Update - The methodology statement has been reviewed, as has the report in Civica. This report is now sent to the Senior Environmental Health Officer in the Commercial team for review every quarter before the data is submitted.</i>	matthew.holford@south-derbys.gov.uk	30/6/2017
16	Low Risk	There was an insufficient audit trail in place to support the figure reported under performance indicator PR5.2.	YES/NO	We recommend that evidence is retained of the number of business in the Civica Database at the time the performance data for PR5.2 is reported. This could be via a screenshot of the relevant screen within the database. Evidence of calculations should also be retained.	Recommendation accepted. Clear overview of process will be reflected in the methodology statement before being implemented.  <i>Update - The report is saved as a spreadsheet in S:\Health\Performance\2017.18</i>	matthew.holford@south-derbys.gov.uk	19/7/2017
17	Low Risk	There was a lack of supporting evidence for the figures reported for PR5.2 and so we were unable to verify the accuracy of the figures.	YES/NO	We recommend that evidence should be retained of the figures taken from Civica in the calculation of PR5.2, and that evidence of the calculation itself should also be retained. This would help to ensure the accuracy and validity of the reported figures and would ensure any challenges or enquiries into the figures could be answered.	Recommendation accepted. Clear overview of process will be reflected in the methodology statement before being implemented.  <i>Update - The report is saved as a spreadsheet in S:\Health\Performance\2017.18</i>	matthew.holford@south-derbys.gov.uk	19/7/2017
18	Low Risk	The methodology for calculation of PR5.2 varied between the Performance Indicator Pro Forma and Methodology Statement document and the Performance Management Reporting Protocol Environmental Health 2015-16 document.	YES/NO	We recommend that the Performance Management Reporting Protocol Environmental Health 2015-16 document be updated to ensure that it accurately reflects the correct process for calculating PR5.2.	Recommendation accepted. Clear overview of process will be reflected in the methodology statement.  <i>Update - The protocol has been updated</i>	matthew.holford@south-derbys.gov.uk	30/6/2017
19	Low Risk	There were not any independent checks over the accuracy or completeness of the performance figures for PR5.2.	YES/NO	We recommend that a process for checking the accuracy and completeness of the performance figures for PR5.2 be introduced and that these checks should be documented.	As per recommendation.  <i>Update - The data will be checked every quarter by the Senior Environmental Health Officer responsible for the food hygiene service</i>	matthew.holford@south-derbys.gov.uk	19/7/2017



## Appendix C – Data quality action plan 2017/18

Aim	Outcome	Lead Officer	Target date
Ensure data collected has supporting processes in place (methodology statements)	Data quality embedded into all performance reporting	Head of Communications	April 2018
Undertake self-assessment exercise on any new or amended KPIs	Strengthened data quality arrangements.	Head of Communications	April 2018
Implement recommendations made in the 2016/17 Data Quality and Performance Management Audit Report.	Strengthened data quality arrangements.	Head of Communications and Director of Finance and Corporate Services	April 2018
Achieve the Public Service Network (PSN) Code of Compliance	Strengthened data quality arrangements.	Head of IT and Director of Finance and Corporate Services	Summer 2018

Aim	Outcome	Lead Officer	Target date
To monitor the delivery of the Action Plan 2017/18	Improved accountability for data quality	Head of Communications	April 2018
Undertake audit of performance reporting	Ensure robust systems and processes are in place to verify accuracy of data	Head of Communications and Director of Finance and Corporate Services	April 2018

# South Derbyshire DC - Data Quality & Performance Management 2016-17 Final Audit Report



## Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

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# 1 Executive Summary

## 1.1 Scope of Audit

- 1.1.1 An audit of Data Quality and Performance Management was included in the 2016-17 Audit Plan for South Derbyshire District Council. This audit was intended to provide assurance to the Council that the system is operating effectively and providing an acceptable level of control in order to satisfy the requirements of the Audit Committee and External Audit.
- 1.1.2 This audit focused on undertaking a self-assessment of the performance indicators to evaluate the systems in place for the monitoring and review of data quality and to identify higher risk indicators for subsequent review.
- 1.1.3 The following 3 control objectives were identified as the fundamental requirements of the internal control system, designed by management to mitigate the key risks presented by this subject matter and form the basis of the Self-Assessments and the Performance Indicator Audits:
- The reported performance figures have been accurately calculated.
  - The correct definition and/or guidance has been applied.
  - The systems used for collecting and recording the performance data are adequate and robust.
- 1.1.4 The audit considered 4 of the higher risk indicators for review to ensure that there were suitable systems in place for performance management and data quality throughout the Council. These indicators spanned the four Corporate Plan values of People (PE), Place (PL), Progress (PR) and Outcomes (O) and were:
- PE2.1 Total Number of Tenancy Audits Carried Out.
  - PL3.1 Downward Trend in Fly Tipping Incidents.
  - O3.1 Annual Improvements in the Energy Consumption of Public Buildings.
  - PR5.2 Maximise the Number of Registered Food Businesses Active in the District.
- 1.1.5 The audit focused on the activities within the 2016-17 financial year.

## 1.2 Summary of Audit Findings

- 1.2.1 The following issues were considered to be the key control weaknesses:

Risk Rating	Summary of Weakness	Agreed Action Date
Low Risk	The Quarter 3 reported figures could not be verified back to the Tenancy Visits Tracker spreadsheet.	31/07/2017
Low Risk	Performance figures for PE2.1 were not subjected to scrutiny or authorisation from departmental managers before their submission.	19/07/2017
Low Risk	The measurement period applied for PE2.1 was not in line with the guidance available or calendar start and end dates.	31/07/2017
Low Risk	The audit trail of data maintained to support the reported performance figures for PE2.1 was not adequate.	19/07/2017
Low Risk	There were no accuracy and completeness checks over the performance data for PE2.1.	19/07/2017
Low Risk	Access to the Tenant Visit spreadsheet was not adequately restricted.	01/06/2017
Low Risk	There was not any scrutiny or authorisation from a secondary officer for the performance figures calculated for PL3.1. A minor difference was found which impacted on the accuracy of the Quarter 2 reported figure for 2016-17.	19/07/2017
Low Risk	The Environmental Services performance spreadsheet was held on the local drive of the Environmental Services Manager, therefore making it inaccessible to the wider team.	01/07/2017
Low Risk	There was insufficient documentation to support the reported performance figures for O3.1 during 2016-17.	N/A

Low Risk	Inaccuracies in the floor space figures stated in the O3.1 FY17 spreadsheet meant that calculation of the performance figures for O3.1 was flawed.	N/A
Low Risk	There was insufficient checking and authorisation of the calculated performance figures for O3.1.	N/A
Low Risk	A complete and comprehensive methodology statement for the collection and recording of performance data, and calculation of the performance figure for O3.1 was not in place.	N/A
Low Risk	Access to the O3.1 spreadsheet was not appropriately restricted.	N/A
Low Risk	There was not any independent scrutiny and authorisation of the performance figures for PR5.2.	19/07/2017
Low Risk	The guidance on PR5.2 had not been used in the calculation of the reported performance figures from April 2016. This had resulted in inconsistencies in the calculation process and inaccuracies in the reported figures.	30/06/2017
Low Risk	There was an insufficient audit trail in place to support the figure reported under performance indicator PR5.2.	19/07/2017
Low Risk	There was a lack of supporting evidence for the figures reported for PR5.2 and so we were unable to verify the accuracy of the figures.	19/07/2017
Low Risk	The methodology for calculation of PR5.2 varied between the Performance Indicator Pro Forma and Methodology Statement document and the Performance Management Reporting Protocol Environmental Health 2015-16 document.	30/06/2017
Low Risk	There were not any independent checks over the accuracy or completeness of the performance figures for PR5.2.	19/07/2017

- 1.2.2 This report focuses on the weaknesses in the Council's systems of control that were highlighted by this audit and recommends what Audit considers to be appropriate control improvements. This report contains 19 recommendations, 19 are considered a low risk, 0 a moderate risk, 0 a significant risk, and 0 are considered to be critical risk.

All 19 of the issues raised within this report have been accepted, but no action will be taken in respect of 5 of the issues raised as management are discontinuing the measurement of O3.1 (Annual Improvements in the Energy Consumption of Public Buildings). Management have agreed to take actions to address the remaining 14 issues by 31<sup>st</sup> July 2017.

## 1.3 Summary of Control Assurance Provided

- 1.3.1 **Reasonable** - We are able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks were well managed, but some systems required the introduction or improvement of internal controls to ensure the achievement of objectives.

Management and the Audit Committee should note that there are no adverse implications for the Council's Annual Governance Statement arising from this work.

## 1.4 Distribution & Communication

- 1.4.1 The draft report was issued to Keith Bull, Head of Communication for comment.

The final version will be issued to Kevin Stackhouse, Director of Finance & Corporate Services with copies to:

- Keith Bull, Head of Communications.

This report was produced by Hannah McDonald, Principal Auditor, Mark Allsop, Principal Auditor and Jacinta Fru, Assistant Audit Manager. Any enquiry concerning the content of this report or associated issues may be made to Hannah McDonald, Principal Auditor on 01332 643284.

## 2 Findings & Recommendations

### 2.1 Self-Assessment 2016-17 Results

- 2.1.1 The Performance Indicator Self-Assessment questionnaire was developed to evaluate the way performance indicators were being measured throughout the Council by assessing the effectiveness of the controls in place for calculating each indicator. This was designed to:
- Identify whether key controls over individual indicators were in place.
  - Determine which indicators may require further scrutiny.
- 2.1.2 The questionnaire was designed to emulate the Performance Indicator Audit Programme which has been specifically developed over a number of years to focus on the fundamental requirements of the internal control systems for the measurement and recording of performance data. This programme assessed the 3 main control objectives by focusing on the key controls which were expected to support each objective. The programme had been mapped out to monitor accuracy, validity, reliability, timeliness, relevance and completeness.
- 2.1.3 Copies of the Self-Assessment form were issued to the Managers Responsible for the performance indicators. The Head of Communications collated the responses and forwarded them to Internal Audit for evaluation. 25 Self-Assessment forms were received back, representing the different systems used for calculating Performance Indicators.
- 2.1.4 Each questionnaire has then been logic checked by audit, based on our past experience and knowledge of the indicators and consideration has been given to the additional comments provided by the Data Reviewer and Data Collector. This ensures a consistent interpretation and score has been applied to each Self-Assessment. This cleansed data has subsequently been imported into the Performance Indicator Database to analyse and evaluate the results to identify where controls over the measurement of performance indicators were in operation or where they were potentially weak.
- 2.1.5 From the 25 Self-Assessments, 11 of the reporting systems were evaluated as low risk, 10 were evaluated as a medium risk and 4 were evaluated as high risk. Answers to the Self-Assessments questions for the low risk areas demonstrated that:
- Suitable controls were in place to ensure the completeness and accuracy of the collection of data.
  - The supporting documentation was complete.
  - The calculation of the performance figure was in line with the required definition and/or local agreements.
- 2.1.6 The following 4 high risk indicators were reviewed:
- PE2.1 Total Number of Tenancy Audits Carried Out
  - PL3.1 Downward Trend in Fly Tipping Incidents
  - O3.1 Annual Improvements in the Energy Consumption of Public Buildings
  - PR5.2 Maximise the Number of Registered Food Businesses Active in the District
- 2.1.7 Details of the questionnaire results can be made available, if required.

## 2.2 PE2.1 Total Number of Tenancy Audits Carried Out

2.2.1 The Self-Assessment process identified 'PE2.1 Total Number of Tenancy Audits Carried Out' as a higher risk indicator: this indicator was therefore subject to further review. The detailed findings follow:

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
The reported performance figures have been accurately calculated.	3	1	1	1
The correct definition and/or guidance has been applied	5	4	1	0
The systems used for collecting and recording the performance data are adequate and robust	6	2	3	1
<b>TOTALS</b>	<b>14</b>	<b>7</b>	<b>5</b>	<b>2</b>

2.2.2 We attempted to establish whether the Council's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

- The calculation process for PE2.1 was a simple addition of figures and utilised the Tenant Visits Tracker spreadsheet data.
- The most recent guidance was used in the collection of the performance data and the calculation of the reported performance figures for PE2.1.
- The interpretation of the guidance was accurate and the calculations were consistent with the guidance available for PE2.1.
- Guidance required the return format to be reported as a whole number, and the reported figures for 2016-17 to date were consistent with this.
- There was a documented methodology in place for collecting and recording the performance data and calculating the performance figure for PE2.1.
- There was no manual manipulation of the performance data in order to arrive at the performance figures for PE2.1.

2.2.3 We expected that the performance figures held by the Policy & Communications Team would be consistent with the supporting documentation held by the Data Collector.

We were provided with the performance figures that had been reported to Performance and these showed:

- Quarter 1 – achieved 298 visits (against a target of 250) = green rated
- Quarter 2 – achieved 500 visits (against a target of 500) = green rated
- Quarter 3 – achieved 693 visits (against a target of 750) = red rated. An action plan had been documented regarding this under performance.

We noted that the 2016/17 target was 1000 visits.

When reviewing the Quarter 3 figures, we were unable to confirm the reported 693 visits to either version of the Tenant Visits Tracker spreadsheet that we obtained during the course of the audit. On the original version, it showed 694 visits, but on the latter version it showed 715 visits. We queried this with the Data Collector who was unable to explain this discrepancy; she stated that she assumed that visits had been added onto the spreadsheet retrospectively for visits done prior to the end of Quarter 3.

We noted that from April 2017 it was intended to utilise the Tenancy Visits Module on the Orchard Housing system to log visits and calculate the performance figures for this indicator. This would minimise the amount of manual input and was hoped to improve accuracy of the reported figures.

If the reported performance figures cannot be agreed back to supporting documentation, there is a risk that inaccurate figures have been reported, and so decision making could be based on unreliable information.

Recommendation 1	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> The Quarter 3 reported figures could not be verified back to the Tenancy Visits Tracker spreadsheet.</p> <p><b>Suggested Actions:</b> We recommend that prior to reporting the performance figures, checks are undertaken to ensure that all of the required visit data has been accurately recorded.</p>	<p><b>Responsible Officer:</b> Chris Holloway</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Recommendation accepted. Independent checks to be undertaken. New module on the Orchard housing system will further strengthen performance reporting mechanisms when introduced.</p> <p><b>Implementation Date:</b> 31/7/2017</p>

2.2.4 We expected that the performance figures would be subject to scrutiny from departmental managers and that the Data Reviewer would check and authorise the performance figures.

We found that performance figures for PE2.1 were not subjected to scrutiny or authorisation from departmental managers before their submission. This was confirmed through discussion with officers and review of documentation.

There is a risk that inaccurate performance figures may be reported. This could impact on decision making and could result in reputational damage if the Council were found to be misreporting performance figures.

Recommendation 2	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> Performance figures for PE2.1 were not subjected to scrutiny or authorisation from departmental managers before their submission.</p> <p><b>Suggested Actions:</b> We recommend that prior to their submission to the Performance team, the figures for PE2.1 are scrutinised and authorised by management within the Housing section.</p>	<p><b>Responsible Officer:</b> Yvonne Tucker &amp; Chris Holloway</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Recommendation accepted. Figures to be scrutinised and authorised by the Team Leader, who is currently off work. Housing Operations Manager to undertake role in the interim.</p> <p><b>Implementation Date:</b> 19/7/2017</p>

2.2.5 We expected that the measurement period applied for PE2.1 would be consistent with the guidance available.

We found that the guidance for PE2.1 referred to data being collected and reported each quarter based on the number of tenancy visits carried out during the quarter. It also stated that tenancy visits were targeted per year.

Through discussion with the Data Collector, we found that the performance figure was measured within each quarter of the financial year.

However, we noted that the start and end dates used in the calculations were not consistent with calendar start and end dates. We expected Quarter 1 to run from 1 April to 30 June 2016, but it actually ran from 4 April 2016 to 3 July 2016. We expected Quarter 2 to run from 1 July to 30 September 2016, but it actually ran from 1 July to 2 October. We expected Quarter 3 to run from 1 October to 31 December 2016, but it actually ran from 3 October 2016 to 1 January 2017. We also expected Quarter 4 to run from 1 January to 31 March 2017 but it actually ran from 2 January to 2 April 2017. Any overlap of days was for weekends when visits were not undertaken. This had meant that any visits undertaken on Friday 1st April 2016 were not included within the Quarter 1 performance figure.

Discussion with the Data Collector identified that she had always used a Monday-Sunday timeframe when collating the data. So 1st (to 3rd) April 2016 was not included as that was a Friday (to

Sunday) and so was reported in the previous week (any visits undertaken on 1st April would have been reflected in the 2015-16 Quarter 4 performance figures).

There is a risk that visits undertaken are not reflected in the correct quarter or financial year: this could result in minor inaccuracies in the reported performance figures.

Recommendation 3	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> The measurement period applied for PE2.1 was not in line with the guidance available or calendar start and end dates.</p> <p><b>Suggested Actions:</b> We recommend that the measurement period for PE2.1 is brought in line with the calendar start and end dates for each quarter to ensure that Tenancy Visits undertaken are reflected within the relevant performance reporting period.</p>	<p><b>Responsible Officer:</b> Chris Holloway</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Recommendation accepted. Reminders to be issued to applicable staff to ensure visits are updated on the spreadsheet in a timely manner. New Orchard module will aid process.</p> <p><b>Implementation Date:</b> 31/7/2017</p>

2.2.6 We expected that performance data would be collected and recorded consistently throughout the period sampled and that there would be an adequate audit trail.

We found that the process for collecting and recording the performance data was consistent for the period sampled, and that once reported, the formulas within the performance data tab of the Tenancy Visits Tracker spreadsheet that were used to calculate the performance figure were removed and replaced with the numbers.

However, when trying to reconcile the Quarter 1 and Quarter 2 reported figures on the performance data tab with the details recorded on the Area tabs within the Tenancy Visit Tracker spreadsheet, we were unable to satisfactorily do this. It was possible that visit dates may have been added, removed or amended retrospectively after the Quarter 1 and Quarter 2 data had been calculated and reported, as the spreadsheet was a live document.

Through checking undertaken during the course of the audit, we also raised a number of issues with the Data Collector relating to the recorded dates such as discrepancies between the dates on the visit records and those on the spreadsheet. The Data Collector corrected most of the issues raised, but where corrections were not required this was explained.

There is a risk that if the reported figures were challenged, they could not be justified, explained or recreated based on inadequate supporting working papers.

Recommendation 4	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> The audit trail of data maintained to support the reported performance figures for PE2.1 was not adequate.</p> <p><b>Suggested Actions:</b> We recommend that adequate evidence is retained to support the reported figures: this may mean taking a copy of the spreadsheet at the point in time the reported figures are reported, or retaining reports from the Orchard Housing System that demonstrate the visits undertaken and included in the reported figure for each quarter.</p>	<p><b>Responsible Officer:</b> Chris Holloway</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> As per recommendation.</p> <p><b>Implementation Date:</b> 19/7/2017</p>

2.2.7 We expected that accuracy and completeness checks would be undertaken over the input of performance data on the respective database or the system used for recording the performance data.

We were unable to identify any accuracy or completeness checks on the calculation of the performance figures via the Tenant Visit spreadsheet. We found that all Housing Officers had access to the spreadsheet to enter the details of the visits they undertake, and that management considered the visits and associated [Risk Assessment](#), but this consideration did not extend to

checking the accuracy and completeness of the calculated and reported performance figures for PE2.1.

We noted that the Performance Officers had access to the spreadsheet and would access it to retrieve the performance figures for the period and would enter the figures onto the Performance Spreadsheet, but they did not undertake any verification exercises on the data and there were no secondary checks on the data they entered onto the Performance Spreadsheet.

Without verification of performance data, there is a risk that incomplete data is used in the calculation of performance figures, and reported figures may be inaccurate.

Recommendation 5	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> There were no accuracy and completeness checks over the performance data for PE2.1.</p> <p><b>Suggested Actions:</b> We recommend that a process for checking the accuracy and completeness of performance figures for PE2.1 is introduced. This could include checks to ensure visits have been recorded, that calculations have been correctly undertaken, and that reported figures are in line with departmental records.</p>	<p><b>Responsible Officer:</b> Chris Holloway</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Recommendation accepted. The updates to the Orchard module will result in a clearer and simpler audit trail to sit alongside the paper tenancy files. Housing Operations Manager to carry out checks in the interim.</p> <p><b>Implementation Date:</b> 19/7/2017</p>

2.2.8 We expected that access to the system holding performance data would be restricted.

We found through review of documentation and discussion with officers that the Tenant Visits spreadsheet was not password protected and the performance data tab within it was not locked down: this means that it could be amended by anyone who opened the document. We were informed that in addition to the Housing team who carried out the visits, officers from the Performance team and the Housing Options team could access the folder where the spreadsheet was saved.

We noted that moving forward, it was planned to record all of the visits within the Orchard system (Tenancy Visits module) and the performance data would be derived from a report generated from the system. As the module had not been implemented at the time of audit, it was not possible to determine the level of access to data that would be used in the calculation of the performance figures and the reporting module; however, it was anticipated that access to the module would be in line with business requirements.

There is a risk that officers without a business need to have access to the Tenant Visit spreadsheet could access the record and make amendments which could call into question the validity and accuracy of the performance data.

Recommendation 6	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> Access to the Tenant Visit spreadsheet was not adequately restricted.</p> <p><b>Suggested Actions:</b> We recommend that whilst the spreadsheet is still in use, it should be password protected to ensure that only officers with a business need can access it, and the Performance Data tab should be locked down to protect the formulas and data within it. We also suggest that in the first quarter that the Tenancy Visits module is live, the spreadsheet should also continue to be maintained as this would provide opportunity for a validity check on the report data generated from Oracle.</p>	<p><b>Responsible Officer:</b> Lyndsay Taylor</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> As per recommendation.</p> <p><b>Implementation Date:</b> 1/6/2017</p>

## 2.3 PL3.1 Downward Trend in Fly Tipping Incidents

2.3.1 The Self-Assessment process identified 'PL3.1 Downward Trend in Fly Tipping Incidents' as a higher risk indicator, this indicator was therefore subject to further review. The detailed findings follow:

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
The reported performance figures have been accurately calculated.	3	1	1	1
The correct definition and/or guidance has been applied	5	5	0	0
The systems used for collecting and recording the performance data are adequate and robust	6	4	1	1
<b>TOTALS</b>	<b>14</b>	<b>10</b>	<b>2</b>	<b>2</b>

2.3.2 We attempted to establish whether the Council's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

- The performance figures held by the Policy & Communications Team were consistent with the supporting documentation held by the Data Collector for Quarters 1-3 2016-17 for PL3.1.
- The most recent guidance was used in the collection of the performance data and the calculation of the reported performance figures for PL3.1.
- The interpretation of guidance and process for calculation the performance figures for PL3.1, as described by the Environmental Health Manager, was consistent with the Performance Indicator Pro Forma and Methodology Statement document.
- The performance data was measured in calendar months and was cumulated throughout the year. This was consistent with the guidance available for PL3.1.
- The guidance for indicator PL3.1 required that the return format should be a number: this was found to have been consistently applied for the reported quarters to date during 2016-17.
- The performance figures to date for PL3.1 had been reported as whole numbers (zero decimal places) which was consistent with the guidance available for this indicator.
- Performance data was collected and recorded consistently throughout 2016-17 and an adequate audit trail was maintained for PL3.1.
- Adequate working papers were retained to show calculations for PL3.1.
- A documented methodology was in place for collecting and recording the performance data and calculating the performance figure for PL3.1.
- There was minimal manipulation of the performance data in order to arrive at the performance figure for PL3.1: the data within the Fly Capture Spreadsheet was sorted to identify instances dealt with by the Safer Neighbourhoods Wardens.

2.3.3 We expected that the performance figures would be subject to scrutiny from departmental managers and that the Data Reviewer would check and authorise the performance figures.

We found that there was not any scrutiny or authorisation from a secondary officer for the performance figures calculated and reported for PL3.1.

We found a small discrepancy between the calculated performance figure for July 2016 and one of the source documents. The Fly Capture Spreadsheet, which was maintained by the Safer Neighbourhood Wardens to show instances of fly tipping that they had identified, reported 2 instances, but the calculation (documented within the Environmental Services PI spreadsheet) used a figure of 3. This meant that the reported figure for Quarter 2 was overstated by 1 (348 instead of

the reported 349 instances). Whilst it did not impact on the RAG rating, a process for checking and review of data and reported figures should have helped to identify and correct these errors.

There is a risk that any errors in calculations would not be identified and therefore inaccurate performance figures could be reported.

Recommendation 7	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> There was not any scrutiny or authorisation from a secondary officer for the performance figures calculated for PL3.1. A minor difference was found which impacted on the accuracy of the Quarter 2 reported figure for 2016-17.</p> <p><b>Suggested Actions:</b> We recommend that an officer independent of the calculation of the performance figures for PL3.1 reviews the data to ensure accuracy in the calculations and authorises the performance figures before submission to the performance team. This review and authorisation should be formally recorded.</p>	<p><b>Responsible Officer:</b> Matthew Holford</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Recommendation accepted. Methodology statement has been updated, with the Environmental Health Manager as the data collector and the Safer Neighbourhood Wardens as the data reviewer (to carry out independent checks).</p> <p><b>Implementation Date:</b> 19/7/2017</p>

2.3.4 We expected that access to the system holding performance data would be secure and that performance data would be accessible to appropriate officers.

We found that the Environmental Services performance indicators and the calculations to support the reported figures were held on a performance spreadsheet which was held on the U drive (local drive) of the Environmental Services Manager. This meant that it was not accessible to anyone else.

There is a risk that in times of absence of the Environmental Services Manager, this key spreadsheet would not be readily accessible to another officer to enable them to calculate and report on the Environmental Services performance indicators.

Recommendation 8	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> The Environmental Services performance spreadsheet was held on the local drive of the Environmental Services Manager, therefore making it inaccessible to the wider team.</p> <p><b>Suggested Actions:</b> We recommend that the performance spreadsheet for Environmental Services is relocated to a central location, but that the document should be password protected and key calculation fields should be locked down to prevent unauthorised amendments. This would ensure that if the Environmental Services Manager was ever unavailable to calculate the performance figures, the spreadsheet would be available to another nominated officer to undertake this task in his absence.</p>	<p><b>Responsible Officer:</b> Matthew Holford</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> As per recommendation.</p> <p><b>Implementation Date:</b> 1/7/2017</p>

## 2.4 O3.1 Annual Improvements in the Energy Consumption of Public Buildings

2.4.1 The Self-Assessment process identified 'O3.1 Annual Improvements in the Energy Consumption of Public Buildings' as a higher risk indicator, this indicator was therefore subject to further review. The detailed findings follow:

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
The reported performance figures have been accurately calculated.	3	0	3	0
The correct definition and/or guidance has been applied	5	5	0	0
The systems used for collecting and recording the performance data are adequate and robust	5	0	3	2
<b>TOTALS</b>	<b>13</b>	<b>5</b>	<b>6</b>	<b>2</b>

2.4.2 We attempted to establish whether the Council's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

- The most recent guidance had been used in the collection of the performance data and the calculation of the reported performance figures for O3.1.
- A definition of the indicator had been provided within the Performance Indicator Pro Forma and Methodology Statement O3.1 and discussion with officers involved in the calculation of the performance data for O3.1 confirmed that their interpretation of the performance indicator was consistent with the guidance.
- Through discussion with officers and review of data, we confirmed that performance measure O3.1 was being measured each quarter and compared with the previous year's performance at the same quarter. We also confirmed that a cumulative year to date measure was being recorded.
- The return format for O3.1 was a percentage: this was specified within the guidance for this indicator, and had been consistently applied in practice for the reported figures for Quarter 1 and Quarter 2 of 2016-17.
- The performance figure for O3.1 had been reported to two decimal places for Quarter 1 and Quarter 2. This was consistent with the guidance available for this indicator.

2.4.3 We expected that the performance figures held by the Policy & Communications Team would be consistent with the supporting documentation held by the Data Collector.

We found that the performance figures held by the Policy & Communications Team differed to the supporting documentation held by the Data Collector for O3.1:

Period	Reported Performance Figures	Data Collector Figures
Quarter 1	5.89% reduction	8.48% reduction
Quarter 2	2.78% increase	4.27% increase
Quarter 3	4.27% increase	2.09% reduction

We noted that the spreadsheet used to calculate the performance figures (known as O3.1 FY17) was a live document which was updated throughout the year. Updates to the spreadsheet could be made following the receipt of gas bills for the Civic Offices and Depot, and late receipt of data from third parties. A copy of the spreadsheet was not taken to support the figures reported to the Policy & Communications Team each quarter. Therefore, the difference in figures highlighted above was indicative of changes made to the spreadsheet following the close of each quarter. The Data Collector confirmed that at year end, the changes made throughout the year would be reflected in the final performance figures.

We also noted that the Environmental Services Performance Spreadsheet, maintained by the Data Reviewer, showed a difference to the reported figures for Quarter 1 as it read 5.98%.

Without adequate supporting documentation, there is a risk that the reported performance figures could be challenged and disputed.

Recommendation 9	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> There was insufficient documentation to support the reported performance figures for O3.1 during 2016-17.</p> <p><b>Suggested Actions:</b> We recommend that a copy of the O3.1 FY17 spreadsheet used to calculate the performance figure is saved for each quarter to support the figures reported to the Policy &amp; Communications Team. This will ensure an adequate audit trail is in place to support the reported figures for O3.1.</p>	<p><b>Responsible Officer:</b> N/A</p> <p><b>Issue Superseded</b></p> <p><b>Agreed Actions:</b> No longer applicable. Indicator is no longer included as a strategic measure. Will continue to be reviewed during 2017/18 before a decision is made on whether to reintroduce in 2018/19.</p> <p><b>Implementation Date:</b> N/A</p>

2.4.4 We expected that the performance figures would be accurately calculated.

We found through discussion with the Data Collector that the same floor space figures were used in the calculation each quarter as they did not tend to change. However, when we checked the floor space figures on the O3.1 FY17 spreadsheet we found that they did not agree to those stated on the Geographical Information System (for map information). We found that floor space at Rosliston Forestry Centre was recorded as 2428m<sup>2</sup> on the spreadsheet, but we calculated an area of 2607m<sup>2</sup> using the information from the Geographical Information System. This difference would impact on the performance figure reported.

We also noted through discussion with the Data Collector that the toilet block at the Glade (Rosliston Forestry Centre) was not included in the calculation of floor space. Another issue raised, again relating to Rosliston, was that in the summer months a marquee was erected – the costs of the energy consumed here were included in the calculation of O3.1, but the increased floor space was not.

If inaccurate figures are used in the calculation of the performance figures, this will result in inaccurate performance figures being reported. There is therefore a risk that management may make decisions based on incorrect data.

Recommendation 10	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> Inaccuracies in the floor space figures stated in the O3.1 FY17 spreadsheet meant that calculation of the performance figures for O3.1 was flawed.</p> <p><b>Suggested Actions:</b> We recommend that the figures used for floor space in the O3.1 FY17 are checked and revised. Management should also consider increasing the floor space figures for times in the year when temporary structures are used.</p>	<p><b>Responsible Officer:</b> N/A</p> <p><b>Issue Superseded</b></p> <p><b>Agreed Actions:</b> No longer applicable. Indicator is no longer included as a strategic measure. Will continue to be reviewed during 2017/18 before a decision is made on whether to reintroduce in 2018/19.</p> <p><b>Implementation Date:</b> N/A</p>

2.4.5 We expected that the performance figures would be subject to scrutiny from departmental managers and that the Data Reviewer would check and authorise the performance figures.

We found that there was limited scrutiny of the performance data for O3.1 and no documented authorisation. The Data Collector discussed the performance figures with the Data Reviewer, who was also his line manager, at his monthly one to one meetings, but this was a general discussion about if they were going to hit target or not, and did not extend to a review of the figures used in the calculation. The Data Reviewer also confirmed that this was the case.

We noted through conversation with the Data Collector that it was difficult to have sufficient time to undertake checks because of the tight timescales involved. Performance data was required around the 20<sup>th</sup> of the month, but he was reliant on obtaining information from third parties which was sometimes delayed.

We also found that there were not any checks on the figures reported on the performance spreadsheet back to supporting documentation, for example, to ensure figures had not been transposed.

Without adequate scrutiny and authorisation of performance figures, there is a risk that inaccuracies in the reported performance figures for O3.1 would not be identified. This could impact on decision making and could result in reputational damage if the Council were found to be misreporting performance figures.

Recommendation 11	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> There was insufficient checking and authorisation of the calculated performance figures for O3.1.</p> <p><b>Suggested Actions:</b> We recommend that a system of checking performance figures is introduced. Where timescales are tight, this could be based on checks on a sample of data, to help to ensure accuracy. The calculation fields in the O3.1 spreadsheet used to record and calculate performance data should be locked down to prevent their alteration. Checks should also extend to figures logged on the performance spreadsheet back to supporting data. An audit trail to demonstrate these checks by the Data Reviewer, and their authorisation, should be maintained. For speed and ease, this could be done via email.</p>	<p><b>Responsible Officer:</b> N/A</p> <p><b>Issue Superseded</b></p> <p><b>Agreed Actions:</b> No longer applicable. Indicator is no longer included as a strategic measure. Will continue to be reviewed during 2017/18 before a decision is made on whether to reintroduce in 2018/19.</p> <p><b>Implementation Date:</b> N/A</p>

2.4.6 We expected that there would be a documented methodology in place for collecting and recording the performance data and calculating the performance figure.

We found that the Performance Indicator Pro Forma and Methodology Statement O3.1 – Annual Improvements in the Energy Consumption of Public Buildings document, included a methodology for the collection and recording of the performance data and calculation of the performance figure, however, through review of the process alongside the Compiling Officer it was found that the Methodology Statement did not cover the entirety of the process, including how the calculation itself should be performed. No other methodology documents were identified during the course of the audit.

If the methodology statement does not cover the entirety of the process, there is a risk that should the Compiling Officer ever not be available to undertake the calculation of the performance figures for O3.1, a consistent and comprehensive approach may not be undertaken to arrive at the figures. This could impact on the accuracy of the reported performance figures.

Recommendation 12	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> A complete and comprehensive methodology statement for the collection and recording of performance data, and calculation of the performance figure for O3.1 was not in place.</p> <p><b>Suggested Actions:</b> We recommend that the process outlined with the Performance Indicator Pro Forma and Methodology Statement O3.1 – Annual Improvements in the Energy Consumption of Public Buildings document is expanded upon to include the whole process for collating data, recording it, and undertaking calculations to arrive at the performance figures for O3.1</p>	<p><b>Responsible Officer:</b> N/A</p> <p><b>Issue Superseded</b></p> <p><b>Agreed Actions:</b> No longer applicable. Indicator is no longer included as a strategic measure. Will continue to be reviewed during 2017/18 before a decision is made on whether to reintroduce in 2018/19.</p> <p><b>Implementation Date:</b> N/A</p>

2.4.7 We expected that access to data on the system holding performance data would be secure.

We found through discussion with Data Collector for O3.1 that the key spreadsheet used to compile and calculate the performance figures for this indicator was not restricted in any way:

- the spreadsheet was not password protected
- the spreadsheet was held on the S drive which was accessible to most officers
- there were no protected fields within the spreadsheet which would have provided protection against unauthorised changes.

There is a risk that the integrity of data on the O3.1 spreadsheet could be compromised, which could impact on the accuracy and reliability of the reported figures.

Recommendation 13	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> Access to the O3.1 spreadsheet was not appropriately restricted.</p> <p><b>Suggested Actions:</b> We recommend that controls are put in place to help to protect the integrity of the spreadsheet used to collate and calculate performance information for performance indicator O3.1. This could include:</p> <ul style="list-style-type: none"> <li>• Password protecting the document.</li> <li>• Locking cells that include data which should not be altered (e.g. containing formulas).</li> </ul>	<p><b>Responsible Officer:</b> N/A</p> <p><b>Issue Superseded</b></p> <p><b>Agreed Actions:</b> No longer applicable. Indicator is no longer included as a strategic measure. Will continue to be reviewed during 2017/18 before a decision is made on whether to reintroduce in 2018/19.</p> <p><b>Implementation Date:</b> N/A</p>

## 2.5 PR5.2 Maximise the Number of Registered Food Businesses Active in the District

2.5.1 The Self-Assessment process identified 'PR5.2 Maximise the Number of Registered Food Businesses Active in the District' as a higher risk indicator, this indicator was therefore subject to further review. The detailed findings follow:

Control Objectives Examined	No of Controls Evaluated	No of Adequate Controls	No of Partial Controls	No of Weak Controls
The reported performance figures have been accurately calculated.	3	1	0	2
The correct definition and/or guidance has been applied	5	4	1	0
The systems used for collecting and recording the performance data are adequate and robust	6	1	3	2
<b>TOTALS</b>	<b>14</b>	<b>6</b>	<b>4</b>	<b>4</b>

2.5.2 We attempted to establish whether the Council's system of control for the following areas contained all the key controls expected of a sound and robust process. Through a combination of control evaluation and testing we confirmed that the following adequate controls were in operation:

- The performance figures held by the Policy & Communications Team were consistent with the supporting documentation held by the Data Collector for Quarter 1-3 of 2016-17 for PR5.2.
- Through discussion with the officer responsible for reporting on PR5.2 it was found that their understanding of the indicator was consistent with the definition set out within the performance Indicator Pro Forma and Methodology Statement document.
- The measurement period applied for PR5.2 was consistent with the guidance available.

- The available guidance for PR5.2 specified that the performance data should be reported as a number and this was found to be the case for the reported figures to date during 2016-17.
- The performance figures for PR5.2 for 2016-17 to date had been reported as whole numbers (zero decimal places) and this was consistent with the guidance for this performance indicator.
- There was not any manual manipulation of the data to arrive at the performance figures for PR5.2.

2.5.3 We expected that the performance figures would be subject to scrutiny from departmental managers and that the Data Reviewer would check and authorise the performance figures.

We found no evidence that the performance figures for PR5.2 had been subjected to scrutiny or authorised by an officer independent of the calculation process.

We noted that within the returned self-assessment for PR5.2, the same officer was listed as both the Data Collector and Data Reviewer which was an inadequate segregation of duties and meant that there was no opportunity for scrutiny and authorisation of the performance figures.

Without independent scrutiny and authorisation of the performance figures, there is a risk that inaccuracies in the figures would not be detected. This could impact on decision making and could result in reputational damage if the Council were found to be misreporting performance figures.

Recommendation 14	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> There was not any independent scrutiny and authorisation of the performance figures for PR5.2.</p> <p><b>Suggested Actions:</b> We recommend that segregation of duties be introduced between the Data Collector and Data Reviewer roles for PR5.2. The Data Reviewer should then scrutinise and authorise the performance figures for PR5.2 prior to their submission to the Performance section.</p>	<p><b>Responsible Officer:</b> Matthew Holford</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Recommendation accepted. Methodology statement will be reviewed and resubmitted, with segregated duties to be defined. Process to then be followed.</p> <p><b>Implementation Date:</b> 19/07/2017</p>

2.5.4 We expected that the most recent guidance would be used in the collection of the performance data and the calculation of the reported performance figures.

We found that the guidance entitled Performance Indicator Pro Forma and Methodology Statement PR5.2 – Maximise the Number of Registered Food Businesses Active in the District had not been used in the calculation of the reported performance figures. The guidance made clear that a calculation should be performed taking into account closed businesses. However, this had not happened and so the performance figures from April 2016 onwards had been incorrectly stated.

If a consistent process is not used to collate and calculate performance data, there is a risk that there may be inaccuracies in the reported figures. This could impact on decision making and could result in reputational damage if the Council were found to be misreporting performance figures.

Recommendation 15	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> The guidance on PR5.2 had not been used in the calculation of the reported performance figures from April 2016. This had resulted in inconsistencies in the calculation process and inaccuracies in the reported figures.</p> <p><b>Suggested Actions:</b> We recommend that the methodology set out within the guidance entitled Performance Indicator Pro Forma and Methodology Statement PR5.2 – Maximise the Number of Registered Food Businesses Active in the District is used when</p>	<p><b>Responsible Officer:</b> Matthew Holford</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Recommendation accepted. Methodology statement will be reviewed and resubmitted.</p> <p><b>Implementation Date:</b> 30/06/2017</p>

calculating the performance figures for PR5.2.

- 2.5.5 We expected that performance data would be collected and recorded consistently throughout the period sampled and that there would be an adequate audit trail.

We found that the performance figure for PR5.2 was taken directly from the Civica Database. The figure was logged within the Environmental Services Performance Spreadsheet and was reported at the end of each quarter to the Performance team. However, evidence of the figure that Civica had returned was not retained. The Civica Database was live, and was continuously being updated with business details; therefore, it was not possible to recreate the reported performance figure after the event.

Without an adequate audit trail in place to support the reported performance data, there is a risk that performance figures are unsubstantiated. This could lead to challenge over the accuracy and validity of the reported figures.

Recommendation 16	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> There was an insufficient audit trail in place to support the figure reported under performance indicator PR5.2.</p> <p><b>Suggested Actions:</b> We recommend that evidence is retained of the number of business in the Civica Database at the time the performance data for PR5.2 is reported. This could be via a screenshot of the relevant screen within the database. Evidence of calculations should also be retained.</p>	<p><b>Responsible Officer:</b> Matthew Holford</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Recommendation accepted. Clear overview of process will be reflected in the methodology statement before being implemented.</p> <p><b>Implementation Date:</b> 19/07/2017</p>

- 2.5.6 We expected that out-turn information would be consistent with source documents and that adequate working papers would be retained to show all calculations.

We noted that a spreadsheet was maintained within Environmental Health for documenting and calculating their performance figures. However, for PR5.2 this only included a figure that had been directly input to the spreadsheet. There was not any system extracts from Civica, or other documentation such as screen shots or calculations, which supported the reported figures for PR5.2. The data within Civica was constantly changing, and so recreation of the reported figures was not an option. We were unable therefore to verify that out-turn information was consistent with source data as inadequate evidence had been retained.

If adequate working papers are not retained, there is a risk that inaccurate performance figures could be reported but that these inaccuracies would not be identified due to a lack of supporting documentation. This could impact on decision making.

Recommendation 17	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> There was a lack of supporting evidence for the figures reported for PR5.2 and so we were unable to verify the accuracy of the figures.</p> <p><b>Suggested Actions:</b> We recommend that evidence should be retained of the figures taken from Civica in the calculation of PR5.2, and that evidence of the calculation itself should also be retained. This would help to ensure the accuracy and validity of the reported figures and would ensure any challenges or enquiries into the figures could be answered.</p>	<p><b>Responsible Officer:</b> Matthew Holford</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> Recommendation accepted. Clear overview of process will be reflected in the methodology statement before being implemented.</p> <p><b>Implementation Date:</b> 19/07/2017</p>

- 2.5.7 We expected that there would be a documented methodology in place for collecting and recording the performance data and calculating the performance figure.

We found that there was a methodology for calculation within the Performance Indicator Pro Forma and Methodology Statement document for PR5.2, but that there was also a methodology within a local document entitled Performance Management Reporting Protocol Environmental Health 2015-16. The methodology within these two documents differed. Discussion with officers involved with calculating the performance figures for PR5.2 identified that the methodology set out within the Performance Indicator Pro Forma and Methodology Statement document was the correct one.

Where the methodology for the calculation of performance indicators vary, there is a risk that there will be inconsistencies and inaccuracies in the reporting of performance figures. This could impact on decision making and could result in reputational damage if the Council were found to be misreporting performance figures.

Recommendation 18	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> The methodology for calculation of PR5.2 varied between the Performance Indicator Pro Forma and Methodology Statement document and the Performance Management Reporting Protocol Environmental Health 2015-16 document.</p> <p><b>Suggested Actions:</b> We recommend that the Performance Management Reporting Protocol Environmental Health 2015-16 document be updated to ensure that it accurately reflects the correct process for calculating PR5.2.</p>	<p><b>Responsible Officer:</b> Matthew Holford</p> <p><b>Issue Accepted / Not Accepted</b></p> <p><b>Agreed Actions:</b> Recommendation accepted. Clear overview of process will be reflected in the methodology statement.</p> <p><b>Implementation Date:</b> 30/06/2017</p>

- 2.5.8 We expected that accuracy and completeness checks would be undertaken over the input of performance data on the respective database or the system used for recording the performance data.

We did not identify any accuracy or completeness checks over the input of performance information either onto the Environmental Services performance spreadsheet or onto the performance team's spreadsheet. The Performance Officers did not have access to any of the Environmental Services documents or systems so could not verify the accuracy of the reported data.

There is a risk that inaccurate or incomplete figures could be reported for PR5.2. This could impact on decision making and could result in reputational damage if the Council were found to be misreporting performance figures.

Recommendation 19	Summary Response
<p><b>Risk Rating:</b> Low Risk</p> <p><b>Summary of Weakness:</b> There were not any independent checks over the accuracy or completeness of the performance figures for PR5.2.</p> <p><b>Suggested Actions:</b> We recommend that a process for checking the accuracy and completeness of the performance figures for PR5.2 be introduced and that these checks should be documented.</p>	<p><b>Responsible Officer:</b> Matthew Holford</p> <p><b>Issue Accepted</b></p> <p><b>Agreed Actions:</b> As per recommendation.</p> <p><b>Implementation Date:</b> 19/07/2017</p>

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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 9</b>
<b>DATE OF MEETING:</b>	<b>31<sup>st</sup> AUGUST 2017</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE AND CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:kevin.stackhouse@south-derbys.gov.uk">kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> s/finance/committee/2017-18/Aug 17
<b>SUBJECT:</b>	<b>BUDGET and FINANCIAL MONITORING 2017/18</b>	<b>REF</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

## **1.0 Recommendation**

- 1.1 That the latest budget and financial position for 2017/18 as detailed in the report is considered and approved.
- 1.2 That the updated Counterparty List for short-term investments and bank deposits as detailed in **Appendix 2** is approved.
- 1.3 That restructuring in the UK banking sector and its potential affect upon the Council as detailed in the report is considered and noted.
- 1.4 That the application of the EU Directive on market regulation as detailed in the report and its potential effect on the Council's Treasury Management operations is kept under review.

## **2.0 Purpose of the Report**

- 2.1 To provide progress on performance against budgets for the financial year 2017/18, together with an update on the Council's treasury management activities for the year.
- 2.2 Where applicable, the effects upon the Medium-Term Financial Plan (MTFP) are also noted.
- 2.3 The report details performance up to 30th June 2017 (unless stated otherwise) and is effectively the 1<sup>st</sup> quarter's update of income and expenditure for 2017/18.
- 2.4 Besides the normal budget monitoring and performance monitoring information, the report provides an update on future changes likely to affect treasury management, i.e. the restructuring of the UK banking sector, together with a new EU Directive on market regulation.
- 2.5 The report covers:
  - General Fund Income and Expenditure
  - Collection Fund
  - Housing Revenue Account

- Capital Expenditure and Financing
- Treasury Management
- Financial Performance Indicators

### 3.0 Detail

#### GENERAL FUND REVENUE ACCOUNT

3.1 Apart from Council Housing, day-to-day revenue income and expenditure on Council services is accounted for through the General Fund. The Net Expenditure is financed from the Council's Core Spending Power which contains:

- General Government Grant
- Retained Business Rates
- New Homes Bonus
- Council Tax

3.2 The Base Budget for 2017/18, which was approved by the Council in February 2017, estimated a budget surplus of £482,058 for 2017/18 as summarised in the following table.

<b>Net Expenditure on Services</b>	11,337,123
Reverse out Depreciation	-783,025
Minimum / Voluntary Revenue Provisions	345,428
Contingent Sums	556,899
<b>Total Estimated Spend</b>	<b>11,456,425</b>
Financing	-11,938,483
<b>Estimated Surplus</b>	<b>-482,058</b>

#### Position as at June 2017

3.3 A summary of the position to date and the projected position for the year compared to the Base Budget for each Policy Committee is shown in the following table.

<b>Budget Monitoring - June</b>					
<b>Summary by Policy Committee</b>					
COMMITTEE	ANNUAL			RESERVES	
	BUDGET	PROJECTED ACTUAL	PROJECTED VARIANCE	EARMARKED	NET EFFECT ON GF
	£	£	£	£	£
Environmental and Development	3,984,428	4,094,222	109,793	58,912	50,881
Housing & Community	2,221,336	1,931,667	(289,669)	(257,153)	(32,515)
Finance & Management	5,131,360	4,152,149	(979,211)	(574,845)	(404,367)
<b>TOTAL</b>	<b>11,337,124</b>	<b>10,178,038</b>	<b>(1,159,086)</b>	<b>(773,085)</b>	<b>(386,001)</b>

3.4 Although the above table shows that projected net expenditure is £1,159,086 lower than the base budget, approximately £773k is due to grant income, external contributions and receipts received from developers under Section 106 agreements, for on-going projects and capital schemes which stretch beyond the current year 2017/18. This funding is transferred to specific reserves and drawn-down to finance expenditure when it is incurred.

3.5 Excluding transfers to earmarked reserves, the above table shows that based on current spending, there is a projected decrease in overall net expenditure across General Fund Services of approximately £386k compared to the base budget for the year.

3.6 An analysis by main service area is shown in the following table.

<b>Budget Monitoring - June</b>					
<b>Summary by Main Service Area</b>					
<b>MAIN SERVICE AREA</b>	<b>BUDGET</b>			<b>RESERVES</b>	
	<b>BUDGET</b>	<b>PROJECTED ACTUAL</b>	<b>PROJECTED VARIANCE</b>	<b>EARMARKED</b>	<b>NET EFFECT ON GF</b>
	£	£	£	£	£
Economic Development	248,279	246,390	(1,889)	0	(1,889)
Environmental Services	509,228	506,662	(2,566)	0	(2,566)
Highways	24,468	24,468	(0)	0	(0)
Licensing and Land Charges	(16,576)	(32,887)	(16,311)	0	(16,311)
Planning	494,680	579,368	84,688	93,356	(8,668)
Town Centre	89,585	89,586	0	0	0
Waste Collection & Street Cleansing	1,859,273	1,940,002	80,729	0	80,729
Environmental Education	73,759	39,315	(34,444)	(34,444)	0
Central & Departmental Accounts	701,732	701,317	(414)	0	(414)
Community Development and Support	561,156	549,464	(11,691)	(15,770)	4,078
Leisure and Recreational Activities	178,952	177,493	(1,460)	(660)	(799)
Leisure Centres and Community Facilities	449,828	304,378	(145,449)	(144,717)	(733)
Parks and Open Spaces	644,956	611,992	(32,964)	0	(32,964)
Private Sector Housing	386,444	288,339	(98,105)	(96,007)	(2,098)
Central and Departmental Accounts	3,489,586	3,213,645	(275,941)	0	(275,941)
Revenues and Benefits	480,925	469,751	(11,174)	(1,029)	(10,145)
Electoral Registration	177,550	177,550	(0)	0	(0)
Corporate and Democratic Costs	610,903	530,059	(80,844)	0	(80,844)
Payments to Parish Councils	348,058	348,059	0	0	0
Concessionary Travel	0	(215)	(215)	0	(215)
Property and Estates	(205,191)	(239,141)	(33,949)	0	(33,949)
Pensions, Grants, Interest and Receipts	229,530	(347,559)	(577,088)	(573,816)	(3,273)
<b>TOTAL</b>	<b>11,337,124</b>	<b>10,178,038</b>	<b>(1,159,086)</b>	<b>(773,085)</b>	<b>(386,001)</b>

## Overview of Spending to date

3.7 The main reasons for the projected variance at this stage, is shown in the following table.

### Main variances

	£'000
Corporate Services contract savings	-400
Salary savings (vacancies, maternity etc.) - F&M	-40
Lettings from Industrial and Commercial Units	-34
Salary savings (vacancies, maternity etc.) - E&D	-27
Increased income from Log Cabin Hire and Retail Sales	-19
Salary savings (vacancies, maternity etc.) - H&C	-13
Street Naming Increased Income	-10
Increased Personal Searches Fee Income	-9
Cemetery Fees	-3
Increased Interest on Cash Deposits	-3
Bank Charges	4
Unbudgeted Sacks for Street Cleansing	5
Markets - Potential Loss of Income	6
Increased Utility Costs	9
Building Control Reduced Income	10
Agency and Temporary Staff	24
Consultancy Support	40
Vehicle Hire	78
Other Variances (net)	-4
<b>TOTAL - OVERALL PROJECTED VARIANCE</b>	<b>-386</b>

3.8 The main variances relate firstly to the £400,000 saving from the ending of the Corporate Services contract which was reported to the Committee on 22<sup>nd</sup> June 2017.

3.9 Budget savings are currently being made from vacant posts although these savings are generally offset by agency and consultancy costs to support service areas.

3.10 Increases on Industrial Unit income is due to a reduction in void properties and will give a favorable variance by year-end.

3.11 The other main variance is the cost of vehicle hire which is due to growth of the District plus an aging vehicle fleet. Growth expenditure can be absorbed within contingent sums and a replacement programme for the aging fleet is currently progressing through Procurement after a review of options.

## Contingent Sums

3.12 The following sums have been provided in the base budget but not allocated to specific budgets.

Pay and Grading on-going costs	55,000
Waste Collection and Recycling	100,000
Growth	200,000
Other Contingent Sums	108,245
Inflation	93,654
<b>Total</b>	<b><u>556,899</u></b>

3.13 The other contingent sums relate to:

- Restructure costs approved after the initial draft of the base budget
- Pension deficit which will be funded from earmarked reserves
- Provisions for the Apprenticeship Levy, implementation of the National Living Wage and potential "off-payroll" payments.

## Provisions

3.14 The following provisions were made in the Council's accounts in 2016/17 for liabilities due in 2017/18.

Provision For	£
Refund of Personal Land Searches	13,000
Planning Appeals	102,000
<b>TOTAL PROVISIONS</b>	<b><u>115,000</u></b>

3.15 The provision for the refund of personal land searches is that remaining from the original provision of approximately £100,000 made several years ago. It is anticipated that this matter will be concluded in 2017/18 with the remaining provision in the above table, being utilised to meet outstanding claims.

## Core Grants and Funding

3.16 The Council's central funding, besides Retained Business Rates, is fixed for the year as shown in the following table.

Core Grants and Funding 2017/18	£'000
Council Tax	4,942,217
Retained Business Rates (Est)	3,668,010
New Homes Bonus	2,601,787
Revenue Support Grant	668,239
Collection Fund Surplus	55,000
Transitional Grant	3,230
<b>Total Core Funding 2017/18</b>	<b><u>11,938,483</u></b>

3.17 The New Homes Bonus final settlement confirmation was received in February and is slightly higher than forecast by £11,853 taking the total receipt due to £2,613,640.

3.18 The final amount for Business Rates will depend upon income and expenditure during the year, including any return from the Derbyshire Pool. The latest projection regarding Business Rates is detailed below.

	Estimate £'000	Projection £'000
Approved Precept	9,508	9,922
Tariff paid to the Derbyshire Pool	-6,194	-6,194
S31 Grants - Business Rates Relief	354	456
Payment of Levy to Derbyshire Pool	-200	-999
Share of growth returned from the Pool	200	649
Business Rates Surplus 2017/18	0	37
Transitional Relief adjustment	0	0
<b>Net amount received in retention system</b>	<b>3,668</b>	<b>3,871</b>
Declared deficit 2016/17	0	-285
Reversal of surplus 2017/18	0	-37
<b>Total Business Rates Retained</b>	<b>3,668</b>	<b>3,549</b>

## THE COLLECTION FUND

3.19 The Collection Fund is the statutory account that records the collection of Council Tax and Business Rates and shows how that income has been distributed to the Government and Preceptors on the Fund, including this Council.

3.20 Any surplus or deficit on the Fund is transferred to the General Funds of the Preceptors, in proportion to precepts levied each year. The projected position on the Fund for 2017/18, based on transactions up to 31st July 2017, is detailed in **Appendix 1**.

3.21 This shows that the projected surplus balance on Council Tax is approximately £744k, with a projected deficit balance of approximately £535k on Business Rates. In both instances, this is currently more favorable than estimated.

### Council Tax

3.22 The projected balance at the year-end is approximately £744k compared to the budget estimate of £440k. This is due to the continuing increase in the tax base (number of properties).

3.23 The budget was based on the Tax Base of 31,647 Band D equivalent properties (after exemptions and discounts) with the total number of dwellings on the valuation list numbering 42,131. At the end of July 2017, the actual Tax Base amounted to 32,186 (+ 539) with the overall number of properties at 42,808 (+ 677).

3.24 During the Budget Round for 2017/18, the Council declared a surplus on the Collection Fund of £500,000 and this is being paid to Preceptors in the current financial year as shown in Appendix 1. It is anticipated that income will continue to increase with further residential development, although some of this is likely to be offset by associated costs.

3.25 The Precepts are fixed payments for the year. The only other variable is the provision for bad debts which is calculated at the year-end. Even allowing for any further increase in the estimated amount, there will be a continuing surplus on Council Tax. The Council's share is approximately 11% and the amount available will be considered during the 2018/19 Budget Round.

### Business Rates

3.26 As previously reported, due to a high level of appeals lodged by local businesses with the Valuation Office, large provisions were made in the accounts for 2015/16 and 2016/17. This has placed Business Rates into a deficit position. This deficit is being charged back to the General Funds of the Preceptors in 2017/18, although 50% is met by the Government.

3.27 As Appendix 1 shows, receipts are expected to rise in 2017/18 due to a growth in the Tax Base, together with increases arising from the 2017 Rating Valuation. Therefore, the deficit is now projected to reduce in 2017/18, although this will depend on the outcome of appeals and whether any further appeals will be lodged, arising from the latest Valuation.

3.28 The Government has provided funding to support local businesses most affected by the Valuation. The Council's proposed scheme for allocating this funding will be reported to the Committee in October for consideration.

3.29 The Council's share of the projected Fund deficit in 2017/18 (at 40%) is approximately £214k (£535k \* 40%). An updated amount will be considered during the 2018/19 Budget Round.

### HOUSING REVENUE ACCOUNT (HRA)

3.30 The Council is required to account separately for income and expenditure in providing Council Housing.

3.31 The approved HRA Budget for 2017/18 was set with an estimated deficit of £214,878, financed from the HRA General Reserve.

3.32 The position on the HRA as at June 2017 is summarised in the following table.

Summary HRA 2017/18	BUDGET £'000	PROJECTED £'000	VARIANCE £'000
Total Income	-12,883	-12,910	-27
Contribution to Capital & New Build	1,800	1,800	0
Contribution to Debt Repayment Reserve	3,550	3,550	0
Responsive & Planned Maintenance	3,244	3,244	0
Interest on Debt	1,777	1,777	0
Supervision & Management	1,785	1,753	-32
Supported Housing & Careline Services	830	818	-12
Provision for Bad Debts	44	44	0
Contingent Sums	68	68	0
<b>Surplus (-) / Deficit</b>	<b>215</b>	<b>144</b>	<b>-71</b>

3.33 The above table shows that overall the HRA is now projected to incur a deficit of approximately £144k which is £71k less than originally budgeted. The main variances are shown in the following table.

	£'000
Salary savings (vacancies, maternity etc.)	-75
Favourable Rental Income	-18
Leasehold Flat Insurance Income Unbudgeted	-8
Vehicle Hire	12
Agency and Consultancy Staff	18
<b>TOTAL - OVERALL PROJECTED VARIANCE</b>	<b>-71</b>

3.34 The main variances are due to vacant posts partially offset by agency and consultants to support services.

3.35 Rental income is forecast to be slightly higher than budget due to full occupation of new build and acquired properties which were originally budgeted to include some voids.

### **CAPITAL EXPENDITURE and FINANCING 2017/18**

3.36 The Capital Programme for 2017/18 was approved by the Committee in February 2017. This has been updated following the budget out-turn in 2016/17 to reflect expenditure and funding carried forward from that year.

3.37 Progress in 2017/18 across the main projects and schemes in the updated programme is shown in the following table.

Capital Spending 2017/18 (as at June 2017)	Approved Budget £	B/fwd 2016/17 £	Updated Budget 2017/18 £	Expenditure to-date £
Council House Capital Works	1,800,000	0	1,800,000	394,968
New Build Schemes	0	0	0	0
Private Sector Housing Works	448,000	592,957	1,040,957	56,623
Environmental and Heritage Schemes	155,165	113,783	268,948	50,119
S106 Project	20,000	0	20,000	13,500
Swadlincote Woodlands Nature Reserve	37,000	0	37,000	0
Rosliston Forestry Centre - Play Project	130,000	0	130,000	0
Community Partnership Scheme	100,000	-24,075	75,925	0
Table Tennis Tables	0	1,730	1,730	1,900
Eureka Park	0	0	0	7,864
Town Hall Windows	0	13,600	13,600	14,820
Melbourne Leisure Centre	65,000	-28,000	37,000	25,943
Melbourne Sporting Partnership	0	0	0	658
Vehicle Replacements	1,521,203	0	1,521,203	35,994
Depot Relocation	1,061,000	0	1,061,000	237,504
Property Maintenance, Development and Refurbishment	204,198	39,230	243,428	576
<b>Total</b>	<b>5,541,566</b>	<b>709,225</b>	<b>6,250,791</b>	<b>840,469</b>

## **Council House Capital Works and New Build Schemes**

- 3.38 Major improvements works are set to be on budget by year-end.
- 3.39 The final New Build project at Lullington Road is still in the early stages and has a funding agreement in place with the Housing and Communities Agency. This project is to be picked up by the new Strategic Housing Manager over the coming months.

### **Private Sector Housing Works**

- 3.40 The funding in place for Disabled Facilities has increased and there are works in the pipeline that can be completed within the allocated funds. Strategic Housing and Housing Operations are currently reviewing options and will update Members once clear proposals are evaluated to spend any residual balance.

### **Environmental and Heritage Schemes**

- 3.41 This relates to the Swadlincote Town Centre Scheme following the award of funding in 2016/17.
- 3.42 The scheme is progressing well with a number of the grant projects being undertaken over the summer months. It is anticipated that the full budget of £269k will be utilised during the year.

### **Leisure and Community Schemes**

- 3.43 Matched funding is still required for the Swadlincote Woodlands Nature Reserve project so this is not yet underway.
- 3.44 The Rosliston Play Project is to be conjoined with the new contract at Rosliston Forestry Centre which is currently out to tender. There will not be any spend during this financial year and so this budget will need to be carried forward into 2018/19.
- 3.45 Eureka Park capital project is now complete with final funding to be claimed from the HLF.
- 3.46 New windows for the Town Hall have been funded through revenue contributions and earmarked reserves alongside funding from the Swadlincote Heritage Town Centre Scheme.

### **Vehicle Replacements**

- 3.47 No replacements have been made to-date, although a procurement exercise to replace a large proportion of the current fleet is now in progress.

### **Relocation of the Council Depot**

- 3.48 The project is progressing as planned and the refurbishment works at the new site should be completed in September. Some additional items have been identified although the costs to-date have been contained within the contingency for provisional items.

## Housing Capital Receipts

3.49 There have been 4 council house sales up to 30th June 2017 as shown in the following table. The net amount retained of £93,547 has been transferred to the New Build Reserve.

	Sales	Gross Receipts £	Less Pooled £	Retained £	% Retained
Quarter 1	4	117,800	-24,253	93,547	79%

3.50 There have been a further 3 sales since June making a total of 7 to-date in 2017/18.

## General Capital Receipts

3.51 A receipt of £1m was received, as expected, in April 2017 from the final tranche of land sold as part of the development of William Nadin Way. This had previously been earmarked to partly finance the relocation of the Depot.

3.52 In addition, a sum of £650,000 has been received regarding an overage payment from the redevelopment of Chestnut Avenue, Midway. This amount has not yet been committed to any capital project or scheme.

## TREASURY MANAGEMENT

3.53 An analysis of the Council's borrowing and bank deposits is summarised in the tables which follow below. These show the position at 30th June 2017.

3.54 Debt outstanding is split between the HRA and the General Fund and this represents the "two pool" approach adopted for debt management.

	As at 1/4/17 £'000	As at 30/6/17 £'000
<b>Housing Revenue Account</b>		
Debt Outstanding (Average Rate 2.7%)	57,423	57,423
Capital Financing Requirement (CFR)	61,584	61,584
Statutory Debt Cap	66,853	66,853
Borrowing Capacity (Cap Less Debt o/s)	9,430	9,430

	As at 1/4/17 £'000	As at 30/6/17 £'000
<b>General Fund</b>		
Debt Outstanding	0	0
Capital Financing Requirement (CFR)	5,999	5,999
Borrowing Capacity (CFR Less Debt o/s)	5,999	5,999

	As at 1/4/17 £'000	As at 30/6/17 £'000
<b>Temporary Deposits and Short Term Borrowing</b>		
Temporary Bank and other Deposits	10,000	18,000
Less Parish Council Deposits	-28	-28
<b>Total - Short-term Cash Position</b>	<b>9,972</b>	<b>17,972</b>

Average Interest Rate on Deposits	0.25%	0.23%
Average 7-Day Money Market Rate	0.36%	0.26%

## Short-term Deposits

3.55 The money on deposit of £18m was spread over 9 deposits, 7 with other local authorities and 2 with the Government's Debt Management Office. The totals together with the average interest rate are shown in the following table.

	As at 1/4/17		As at 30/6/17	
	£'000	%	£'000	%
Debt Management Office (DMO)	0	0.00%	3,000	0.10%
Other Local Authorities	10,000	0.38%	15,000	0.44%

3.56 Money on deposit with other local authorities tends to be for longer periods of up to 364 days. Deposits with the DMO are for shorter periods to manage cash flow.

## Lending Policy and Counterparty List

3.57 The Committee agreed an updated list and associated lending policy as part of the Treasury Management Strategy for 2017/18 in February. Due to the planned restructuring of the UK banking sector (this is detailed later in the report) the Council's Treasury Advisors have recommended that the length of unsecured deposits with some named banks are reduced from 1 year to 6 months.

3.58 As regards the Council's Counterparty List, this potentially affects deposits with HSBC, Lloyds Bank and the Bank of Scotland. As the Council only uses instant access accounts and not fixed term facilities with these specific banks, there is unlikely to be any effect on policy and operations.

3.59 However, it is recommended that the advice of the Treasury Advisors is implemented and the updated Counterparty List is shown in **Appendix 2**.

## Financial Markets - Update

3.60 Following the UK General Election in June, there has been no significant impact on the direction of the current UK economy. Negotiations for the UK to exit the EU have commenced and although this has created some uncertainty, the financial markets have not changed significantly.

3.61 Although the value of Sterling against the Euro and American Dollar has increased in recent months it continues to fluctuate and is much lower than a year ago following the result of the EU Referendum which has led to the so-called "Brexit".

3.62 The main issue is the rate of inflation which continues to rise due to the weakening of Sterling. This has generally increased the price of imports which has affected fuel (offset by a fall in the price per barrel) and certain food stuffs in particular.

3.63 Although the current rate of unemployment is at historically low levels nationally (4.4%) the average rate of pay increase continues to be lower than current rates of inflation. The average rate of pay increases as at July 2017 was 2.1%, which is below the rate of inflation as shown in the following table.

<b>Inflation Measure</b>	<b>As at October 2016</b>	<b>As at May 2017</b>	<b>As at July 2017</b>
Retail Price Index (RPI)	2.0%	3.7%	3.6%
Consumer Price Index (CPI)	0.9%	2.9%	2.6%
CPI + Housing (CPIH) – <i>see note</i>	1.3%	2.7%	2.6%

*The CPIH is an additional measure of inflation which includes the cost of owner occupied housing. This is now the most favored and up-to-date method of measuring inflation.*

- 3.64 The above table shows how inflation rose quickly between October 2016 and May 2017, although it fell back in July 2017. The Bank of England’s Monetary Policy Committee (MPC) has resisted any increase in the Bank Base Rate from 0.25% as a means of curbing inflation.
- 3.65 The MPC have been mindful of the slow growth in the economy as measured by the Gross Domestic Product (GDP) which was 0.2% for the first quarter of 2017 and is expected to be 0.3% in the second quarter. However, if inflation continues to rise, then the MPC may have to review their Policy.

### **Potential Effects on the Council’s Financial Position**

- 3.66 The effect of rising prices on the Council is the impact on the cost of fuel and utilities. To mitigate the effect, the Council has contract arrangements in place for the purchase of fuel and uses an energy broker for utilities. The MTFP also includes provision for price increases.
- 3.67 In addition, increasing inflation could impact on the cost of wages, although the Government is resisting calls to remove the 1% cap on increases for public sector workers.
- 3.68 The main impact of an increase in interest rates is that it would increase the yield on deposits. Although much of the HRA debt is at fixed rates, £10m is at variable rate. This rate is currently at 0.43% with an allowance in the MTFP for it to increase to 2.5% in 2017/18 and 3% per year thereafter. Based on market analysis, the Council’s Treasury Advisors do not consider that interest rates will rise to this level in the medium-term.

### **UK Bank Restructuring**

- 3.69 Following global financial events in recent years, the Independent Commission on Banking published proposals to reform the structure of banking in the UK, by separating retail and investment banking activities through “ring-fencing”. This will require large UK banks to separate their core retail banking activity from the rest of their business.
- 3.70 The aim is to protect the retail banking sector from unrelated risks originating elsewhere in the banking group. The Government has subsequently legislated to bring these changes about. The statutory deadline for implementation is 1<sup>st</sup> January 2019.
- 3.71 Activities which fall outside of retail banking must be ring-fenced in an “investment bank”. Beyond the legislative requirements, banks will have a degree of flexibility when deciding how to treat some activities, including accepting deposits from local authorities.
- 3.72 Until banks’ new structures are finally determined and published, the different credit risks of the retail and investment banks cannot be known for certain.

3.73 However, it is likely that the retail bank will undertake less risky activities and hold more capital than the investment bank, depending on the number of depositors within the retail bank. Overall however, it is anticipated that the retail bank will have a higher credit rating and be at less risk to a “bail-in” compared to the investment arm.

### **Barclays Bank**

3.74 As the Council’s bankers, Barclays are affected by these changes. During May 2017, they informed the Council that they will satisfy the regulations by setting up a new “ring-fenced” bank (Barclays UK) in the first half of 2018, which will be separate from Barclays Bank PLC.

3.75 The new ring-fenced bank will effectively be the retail arm, whilst the PLC will become the international and investment bank offering existing services to its larger corporate customers with an annual turnover greater than £6.5m. This will include the Council.

3.76 Potentially therefore, any deposits with Barclays will be in the riskier side of the business and the Council may therefore wish to review Barclays being on its Counterparty List, before 2019.

3.77 Currently, the Council has a reserve account facility with Barclays which it uses to transfer any internal balances on its current account. This will be kept under review with the Council’s Treasury Advisors.

3.78 Operationally, day-to-day banking will not be affected. Although no changes to account numbers are likely, it is likely to necessitate a change in the Council’s unique sort code. This will then have a knock-on effect to people who transact with the Council, for example, Council Tax payments.

3.79 The process and who funds the cost of undertaking this change, is still to be determined. Barclays are required to keep the Council updated as the process develops. Updates will be reported to the Committee over the next 12 months ahead of implementation.

### **Markets in Financial Instruments Directive (MIFID)**

3.80 This is an EU directive due to be implemented from January 2018 and is designed to tighten regulation in financial markets. The existing directive allows local authorities to be classed as “*professional clients*” with wider market access, cheaper fees and potentially lower borrowing costs, compared to individuals and small businesses classed as “*retail clients*”.

3.81 The Directive will class all local authorities as retail clients, but with the ability to opt up to professional client status providing certain criteria is met. This criteria includes:

- A minimum investment balance (cash) of £10m.
- The person making investment decisions on behalf of the Council has at least one year’s experience of either providing or receiving financial services in a similar role, **OR** the Council has made 40 trades in the past year in similar investments to those for which services are to be provided.
- The Council’s staff is assessed as having the *expertise, experience and knowledge* to make investment decisions on behalf of the Council and understand the risks involved.

- The Council requests its Treasury Advisors to be treated as a professional client.

3.82 The LGA has been liaising with the Financial Conduct Authority (FCA) regarding concerns about potential costs, loss of value and restrictions on investment that could result from local authorities being reclassified. In response, the FCA have improved the opt-up process and in particular the minimum investment balance of £10m being reduced from an initial proposal of £15m.

### **Advice and Protection for Investors**

3.83 Treasury Advisors to local authorities are not generally authorised by the FCA to serve retail clients. To do so, would increase costs in such areas as regulatory fees, staff training and administration, together with professional indemnity insurance.

3.84 This is because the EU Directive expects that local authorities will gain increased protection under a retail client basis similar to that afforded to individuals and small businesses. Advice for professional clients tends to be more generic, which is suited to their needs.

3.85 For retail clients, advisors would need to provide advice on specific day-to-day transactions and obtain certain information and carry out checks similar to that required for individuals. It is considered that this is impractical without incurring additional costs. It is also likely to increase the administration for local authorities.

3.86 Perhaps the main protection available to retail clients is the Financial Services Compensation Scheme, which reimburses certain losses up to £85,000 (deposits) and £50,000 (other investments). However, local authorities are excluded from this scheme unless they have an annual budget of less than £1/2m.

3.87 In addition, individuals and small businesses can gain support and raise matters with the Financial Ombudsman. However, the Ombudsman is not authorised to deal or receive complaints from local authorities. Therefore, it is being questioned whether local authorities will actually receive any further protection by being reclassified.

### **The Council's Position**

3.88 The LGA are working with the FCA and representative organisations (CIPFA) in order to develop a standardised process for authorities to opt up.

3.89 Some takers of local authority deposits make it a condition that the local authority is a professional client. Together with the likelihood that there is very little added protection being reclassified as a retail client and that it could incur additional costs, it is recommended that the Council opts-up to professional status.

3.90 The Council's Treasury Advisors are currently reviewing their position as they are not authorised to serve retail clients. In doing so, they are consulting across their client base, which includes a large number of local authorities.

3.91 It is likely that the Council will meet the criteria for opting up. There is some uncertainty regarding the assessment of "*expertise, experience and knowledge*" and this is a matter that the LGA are pursuing nationally.

3.92 The position will be kept under review and the final outcome and recommendation will be reported to the Committee **Page 79 of 101** in the year ahead of January 2018.

## FINANCIAL and OTHER PERFORMANCE

- 3.93 In addition to the Corporate Plan, the Finance and Corporate Services Directorate also maintain a set of key performance indicators to monitor the progress of its services. These indicators, although more operational, also relate back to the main aims in the Corporate Plan and are contained in the Directorate's Service Plan.
- 3.94 The indicators are maintained to ensure that each service area meets its intended outcomes and is a measure of its success. Several of the indicators are governed by statute. The targets are based on current benchmarks and are designed to improve on previous year's performance.
- 3.95 The indicators for 2017/18, together with progress to June 2017, are detailed in **Appendix 3**. Two indicators are currently behind target, but they should be rectified over the remainder of the financial year.

### Payments to Suppliers

- 3.96 Under the Public Contracts Regulations 2015, the Council is required to publish its speed in processing payments to suppliers. Under the Regulations, the Council should pay all undisputed invoices within 30-days of receipt.
- 3.97 Although there is no specific penalty if this regulation is not complied with, individual suppliers have the right, under Late Payments Legislation, to claim interest on late payments. The rate of interest is 8% above the prevailing Bank of England Base Rate (currently 0.25%).
- 3.98 Overall performance against this indicator is shown in Appendix 3. The Council's detailed performance in 2016/17, together with that to-date in 2017/18, is shown in the following tables.

	<u>No of Invoices</u>	<u>No. Paid in 30 Days</u>	<u>% Paid with 30 days</u>	<u>No. Paid in 10 Days</u>	<u>% Paid with 10 days</u>
Apr-16	435	429	98.62%	373	85.75%
May-16	379	370	97.63%	299	78.89%
Jun-16	582	544	93.47%	428	73.54%
Jul-16	457	446	97.59%	365	79.87%
Aug-16	566	553	97.70%	408	72.08%
Sep-16	482	476	98.76%	402	83.40%
Oct-16	411	405	98.54%	333	81.02%
Nov-16	597	588	98.49%	494	82.75%
Dec-16	336	332	98.81%	295	87.80%
Jan-17	446	432	96.86%	304	68.16%
Feb-17	424	406	95.75%	310	73.11%
Mar-17	556	535	96.22%	385	69.24%
<b>Total</b>	<b>5671</b>	<b>5516</b>	<b>97.27%</b>	<b>4396</b>	<b>77.52%</b>

	<u>No of Invoices</u>	<u>No. Paid in 30 Days</u>	<u>% Paid with 30 days</u>	<u>No. Paid in 10 Days</u>	<u>% Paid with 10 days</u>
Apr-17	326	317	97.24%	223	68.40%
May-17	448	429	95.76%	313	69.87%
Jun-17	409	380	92.91%	289	70.66%
<b>Total</b>	<b>1183</b>	<b>1126</b>	<b>95.18%</b>	<b>825</b>	<b>69.74%</b>

3.99 Standard benchmarks are 97.5% for all invoices to be paid within 30 days and 65% for 10-day payments. The Council did not receive any claims or make any payments for late interest in 2016/17 or to-date in 2017/18.

#### **4.0 Financial Implications**

4.1 As detailed in the report

#### **5.0 Corporate Implications**

5.1 None directly

#### **6.0 Community Implications**

6.1 None directly

#### **7.0 Background Papers**

7.1 None

## APPENDIX 1

### COLLECTION FUND MONITORING 2017/18 (as at 31st July 2017)

	Actual 2016/17	Estimated 2017/18	1st Qtr Projection 2017/18	Notes
COUNCIL TAX - INCOME & EXPENDITURE	£'000	£'000	£'000	
<b>INCOME</b>				
Council Tax Collectable	50,265	52,778	53,084	Estimated Increase in Tax Base and Precepts of 5%; projection per report Ct6140c
<b>EXPENDITURE</b>				
County Council Precept	36,109	38,345	38,345	As approved by Full Council 1st March 2017
Police and Crime Commissioner Precept	5,487	5,715	5,715	As above
Fire and Rescue Authority Precept	2,206	2,297	2,297	As above
SDDC Precept	4,747	4,942	4,942	As above
SDDC Parish Precepts	679	756	756	As above
Increase in Bad Debts Provision	655	396	398	Estimated at 0.75% of income
<b>Total Expenditure</b>	<b>49,883</b>	<b>52,451</b>	<b>52,453</b>	
<b>Surplus for the Year</b>	<b>382</b>	<b>327</b>	<b>631</b>	
<b>COUNCIL TAX BALANCE</b>				
Opening Balance 1st April	407	613	613	Per Final Accounts 2016/17
Share of Previous Surplus to County Council	-128	-367	-367	As approved by Full Council 1st March 2017
Share of Previous Surplus to Police	-20	-56	-56	As above
Share of Previous Surplus to Fire Authority	-8	-22	-22	As above
Share of Previous Surplus to SDDC	-20	-55	-55	As above
Surplus for Year (as above)	382	327	631	
<b>Closing Balance as at 31st March</b>	<b>613</b>	<b>440</b>	<b>744</b>	

**BUSINESS RATES - INCOME & EXPENDITURE****INCOME**

Business Rates Collectable	23,787	24,805	25,578
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Estimate as per NNDR1 Submission; projection per report NR7050 (as at 31st July)

**EXPENDITURE**

Central Government Precept	11,767	12,402	12,402
SDDC Precept	9,414	9,922	9,922
Derbyshire County Council Precept	2,118	2,232	2,232
Fire and Rescue Service Precept	235	248	248
Cost of Collection	91	91	91
Transitional Protection Payments	15	15	15
Increase in Bad Debts Provision	226	236	243
Provision for Appeals	312	322	333
<b>Total Expenditure</b>	<b>24,178</b>	<b>25,468</b>	<b>25,486</b>
<b>Surplus / Deficit (-)</b>	<b>-391</b>	<b>-663</b>	<b>92</b>

Per NNDR1 Submission

As above

As above

As above

As above

Nominal

Estimated at 0.95% of income

Estimated at 1.3% of income

**BUSINESS RATES BALANCE**

Opening Balance 1st April	-400	-1,339	-1,339
Transfer of Previous Year's Surplus (-) / Deficit	-274	356	356
Transfer of Previous Year's Surplus (-) / Deficit	-49	285	285
Transfer of Previous Year's Surplus (-) / Deficit	-5	64	64
Transfer of Previous Year's Surplus (-) / Deficit	-220	7	7
Surplus / Deficit (-) for the Year as above	-391	-663	92
<b>Closing Balance as at 31st March</b>	<b>-1,339</b>	<b>-1,290</b>	<b>-535</b>

Per Final Accounts 2016/17

Per NNDR1 Submission

As above

As above

As above

## COUNTERPARTY LIST 2017/18

*(As at August 2017)*

Institution	Limit	Maximum Term
<b><u>Specified Investments</u></b>		
<ul style="list-style-type: none"> <li>UK Debt Management Office (DMO)</li> </ul>	<b>£15m</b>	364 Days
<ul style="list-style-type: none"> <li>Local, Police, Fire and Parish Authorities</li> </ul>	<b>£5m</b> with any one Authority	364 Days
<b><i>Named Counterparties</i></b>		
<ul style="list-style-type: none"> <li>HSBC</li> </ul>	<b>£2m</b> with any one Bank	6 months
<b><u>Non Specified Investments</u></b>		
<b><i>Named Counterparties</i></b>		
<ul style="list-style-type: none"> <li>Lloyds Bank</li> <li>Bank of Scotland</li> </ul>	<b>£2m</b> with any one Bank	6 months
<ul style="list-style-type: none"> <li>Close Brothers</li> <li>Santander UK / Abbey National Treasury Services</li> </ul>	<b>£2m</b> with any one Bank	6 months
<ul style="list-style-type: none"> <li>Barclays Bank</li> <li>Goldman Sachs International</li> </ul>	<b>£2m</b> with any one Bank	100 days
<ul style="list-style-type: none"> <li>Royal Bank of Scotland /National Westminster Bank</li> </ul>	<b>£1m</b> with any one Bank	35 days
<ul style="list-style-type: none"> <li>Nationwide Building Society</li> <li>Coventry Building Society</li> </ul>	<b>5% of total deposits</b>	6 months
<ul style="list-style-type: none"> <li>Leeds Building Society</li> </ul>	<b>5% of total deposits</b>	100 days
<b><i>Foreign Counterparties</i></b>		
<ul style="list-style-type: none"> <li>AAA rated institutions (<i>subject to</i></li> </ul>		1 month



Corporate Plan Aim	Measure	Annual target 2017/18	Progress as at June 2017
Maintain financial health	Deliver a balanced budget in accordance with the statutory timetable	Balanced budget agreed by the Council on 26 <sup>th</sup> February 2018	Not due until 2018
Maintain financial health	Produce regular budget monitoring information	Performance against budget reported to the Council on a quarterly basis	Completed
Maintain financial health	Through better procurement, generate budget savings directly or through supporting other services	Total cashable savings meet salary costs of £80,000	£32,000 to-date Heating Replacement and Servicing Contract for Council Housing (net of price and volume differentials)
Maintain financial health	Collection of Council Tax	In-year Collection Rate of at least 98%	30% in line with the profiled target
Maintain financial health	Collection of Business Rates	In-year Collection Rate of at least 98%	27.5%, which is above the profiled target of 27%
Maintain financial health	Arrears for Council Tax, Business Rates and Housing Benefit Overpayments	Reduction in the annual Provision for Bad Debts	Not due until 2018
Maintain financial health	Identification of Fraud	Value of fraud identified meets service costs of £35,000	£6,000 to-date identified and recovered from the Council Tax Support Scheme
Maintain financial health	Lettings of Industrial and Commercial Properties	Achieve 90% occupancy of all units and less than 10% of properties with rent arrears less than 3 months	66 out of 67 units occupied (98.5%) with no tenants having rent arrears greater than 3 months

Maintain financial health	Income from Land Searches	Service breaks-even	Due to additional income, the service is currently running at a surplus of £8,000.
Good Governance	Produce a draft set of Accounts and Financial Statements for Annual Audit and Inspection	30 <sup>th</sup> June 2017	Completed
Good Governance	Completion of Approved Internal Audit Plan and outcomes reported to the Audit Sub-Committee	At least 90% completed ( <i>this is monitored by the Audit Sub-Committee</i> )	As at May 2017, 8% of the plan had been completed against a profiled target of 12%. Some one-off investigation work temporarily diverted resources during the first quarter. The shortfall should be made-up during the remainder of the year.
Customer Focus	Minimise downtime of IT	Downtime is less than 1% over the year	April 2017 - Nil May 2017 - 5% (cash machine software problem) June 2017 - 1% July 2017 - 2% (ID card system failure)
Customer Focus	Prompt payment of invoices for goods and services	97% of undisputed invoices paid within 30-days	Cumulatively, 95% paid to-date (1,126 invoices out of 1,183)
Customer Focus	Prompt payment of invoices for goods and services	65% paid within 10-days for local suppliers	70% - 825 invoices
Customer Focus	Freedom of Information requests answered within the statutory time limit	98% of requests satisfactorily answered with 20-days	6 month report due in December 2017

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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 10</b>
<b>DATE OF MEETING:</b>	<b>31<sup>st</sup> AUGUST 2017</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE and CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/treasury management/lending policy/money market funds/use of MMFs Proposal
<b>SUBJECT:</b>	<b>MONEY MARKET FUNDS</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendations**

- 1.1 That the Council's Lending Policy and Counterparty List are updated to include the use of Money Market Funds as detailed in the report.
- 1.2 That a maximum overall limit of £10m is placed on deposits in Money Market Funds with a maximum of £2m invested in any one Fund.
- 1.3 That delegation is given to the Director of Finance and Corporate Services to select and monitor the use of individual Funds.
- 1.4 That, if approved, the performance of Money Market Funds is reported to the Committee on at least a quarterly basis.

## **2.0 Purpose of the Report**

- 2.1 To review the Council's Lending Policy and Counterparty List and to propose the use of Money Market Funds (MMFs) for depositing cash balances on a short-term (less than 364 days) basis.

## **3.0 Detail**

- 3.1 Recent Financial and Treasury Management Reports to the Committee have highlighted the increasing level of cash and reserves available for short-term investment. The Council's approved lending policy priorities security and liquidity of deposits over yield.
- 3.2 All deposits are short-term (less than 364 days) and tend to be held in instant access accounts, although longer fixed-term arrangements exist with other local authorities.

- 3.3 In recent years, the number of named investors on the approved Counterparty List has diminished due to stricter lending criteria and the reduction in credit ratings of several financial institutions.
- 3.4 In addition, spreading the Council's deposits is proving more difficult within the credit limits set for each type of investment. Typically, the Council has between £10m to £20m on deposit during the year.
- 3.5 There are no proposals to change current limits or the overall lending criteria. Generally, these serve the Council well and are in accordance with that recommended by the Council's Treasury Advisors (Arlingclose).
- 3.6 However, given the level of cash and reserves, some research has been undertaken to determine whether there are any other safe and secure methods of depositing cash on a short-term basis in accordance with the Council's overall lending policy.
- 3.7 Besides cash being deposited with banks and lent to other local authorities, there are other financial instruments available. For example, the Council could consider entering the Bond Market or buying Government Treasury Bills.
- 3.8 These instruments are regulated and tend to generate greater returns. However, they are more risky, involve intermediaries, incur a cost and can create complications on how they are accounted for and shown on the Council's Balance Sheet. Ideally, these are suited to where capital can be tied up for a fixed-term longer period and could extend beyond 364 days.

### **Money Market Funds – MMF(s)**

- 3.9 MMFs are pooled funds that invest in short-term debt instruments, which provide a diverse investment portfolio. Each investor who invests in a MMF is considered a shareholder of the investment pool.
- 3.10 MMFs have become an alternative short-term deposit option for local authorities as they have very high liquidity, diversity and offer competitive yields compared to, for example, the Debt Management Office (DMO). Credit ratings are generally high and greater than many leading banks.
- 3.11 The greatest benefit is diversification which protects overall capital from being lost. The funds invest in financial instruments such as government securities, treasury bills, certificates of deposit, etc. Each holding in a pool is limited to 5% of the overall Fund value, with investment typically spread across 30 to 40 different names. This provides pool members with safer access to financial instruments than they could get individually.
- 3.12 There are several funds available for investors and each one is monitored and rated individually – they are regulated.
- 3.13 Fund ratings are based on the range of investment assets, maturity spread, together with their past record and the experience of each Fund Manager.

3.14 A key component is the weighted average maturity portfolio (WAM). For a MMF to get the highest credit rating, the WAM should not exceed 60 days. This ensures that a fund is highly liquid.

### **Is Capital invested Safe?**

3.15 Clearly, there is risk with any deposit. As part of the regulations, funds have to operate on a “*Stable Net Asset Value Basis*”. This means that for every £1 of principal invested, the Fund will return £1 on withdrawal, plus interest. Interest in the Fund is accrued daily.

3.16 In addition, all assets in the Fund belong to the shareholders and not to the Fund Management Company. For example, in a Fund managed by Goldman Sachs, the assets in the Fund are “ring-fenced” from the assets held by Goldman Sachs. The Fund Manager deducts their management fee from the interest so that interest is paid net and there are no other direct costs to individual investors.

### **Operational Arrangements**

3.17 MMFs operate on a same-day subscription or withdrawal basis. Therefore, subject to cut-off deadlines for trading, monies are invested on the same day they are transferred and repaid on the same day as notice is given, i.e. effectively instant access.

3.18 Due to the liquidity requirement and the WAM, deposits can only be made for a maximum period of 60 days.

3.19 Administration is fairly minimal. Once a Fund is selected and set-up, trading is undertaken on-line in accordance with normal day-to-day treasury management operations.

3.20 As part of the services provided by the Council’s Treasury Advisors, they will assist with Fund selection, liaise and monitor Fund performance on behalf of the client. They also issue monthly bulletins on MMFs.

### **Performance and Potential Yield**

3.21 The best performing funds currently available are detailed in **Appendix 1**. This shows the net return after fees have been deducted. The current yields range from 0.245% down to 0.121%. Clearly these are low but reflect the short-term nature of deposits and the low Base Rate of 0.25%.

3.22 However, these rates should be compared with those that the Council currently receives from the DMO facility, which is 0.1% and from the instant access accounts with HSBC, Barclays and the Bank of Scotland, which currently pay even less.

## **Adding MMFs to the Council's Counterparty List**

- 3.23 It is considered that the use of MMFs is a viable option compared to the Government's DMO facility and instant access accounts in order to place funds on deposit on a short-term basis. This will help to diversify the Council's investment portfolio with a minimal amount of risk.
- 3.24 The Council's Treasury Advisors recommend that exposure should be limited to 0.5% of a MMF size. Most of the available funds are valued in billions of pounds as shown in **Appendix 1**.
- 3.25 The more relevant recommendation is that deposits in each MMF should be limited to 10% of total investments available, which will be up to £2m in the Council's case. In addition, the Advisors recommend that overall investments in MMFs as a whole should be limited to 50% of the total investment portfolio for those with portfolios of greater than £10m.
- 3.26 This would place a maximum limit of up to £10m depending on cash flow during the year. Currently, the Council operates within a £15m limit for the DMO and £2m for each of its three instant access accounts.
- 3.27 To maintain diversification, the Council does invest on a longer fixed-term basis by depositing funds with other local authorities. These achieve a higher rate of return compared to MMFs but usually have fixed terms between 3 and 9 months.
- 3.28 It is considered that the principle of using MMFs is that it will generate a greater yield on shorter-term cash deposits and is an alternative to the DMO facility and instant access accounts. Therefore, it is recommended that MMFs are added to the Counterparty List with the following criteria:
- A maximum investment of £10m overall.
  - A maximum of £2m invested in any one Fund.
- 3.29 Therefore, more than one Fund will be chosen and opened to ensure that the Council has multiple choices with broadly equal exposure to each Fund.
- 3.30 The selection and use of each Fund should be delegated to the Director of Finance and Corporate Services in accordance with their duties and responsibilities for Treasury Management. This would be based on recommendations from the Council's Treasury Advisors and kept under review within the approved limits.
- 3.31 If approved, performance on MMFs would be incorporated into the quarterly financial report and form part of treasury management operations.

4.1 As detailed in the report.

**5.0 Corporate Implications**

5.1. None directly

**6.0 Community Implications**

6.1 None directly

**7.0 Background Papers**

None

### Money Market Fund Benchmarking Results (as at 31<sup>st</sup> May 2017)

Rank	Money Market Fund	Share Class	Net Assets	Average Credit Rating	Yield	Volatility	Return to Risk
1	Invesco Aikis Sterling Liquidity Portfolio	Inst	0.2245%	AA-	4.12	10.0	10.0
2	BNP Paribas Insticash Sterling	1	0.277%	A+	4.77	8.4	8.4
3	AVIVA Investors Sterling Liquidity Fund	3	0.210%	AA-	4.12	7.6	7.6
4	Amundi Money Market Fund - Short Term (GBP)	IC	0.260%	A+	4.99	6.9	6.9
5	State Street Global Advisors Sterling Liquidity Fund	Inst	0.210%	AA-	4.29	6.8	6.8
6	Federated Short-Term Sterling Prime Fund	4	0.196%	AA-	4.24	6.1	6.1
7	CCLA - The Public Sector Deposit Fund	4	0.215%	A+	4.56	5.7	5.7
8	Morgan Stanley Sterling Liquidity Fund	Inst	0.210%	A+	4.60	5.7	5.7
9	Goldman Sachs Sterling Liquid Reserves	Inst	0.185%	AA-	4.36	5.0	5.0
10	BlackRock Institutional Sterling Liquidity Fund	Heritage	0.196%	A+	4.68	4.8	4.8
11	UBS Select Money Market Fund	Premier	0.184%	AA-	4.47	4.6	4.6
12	Standard Life Investments Sterling Liquidity Fund	3	0.200%	A+	4.84	4.6	4.6
13	LGIM Sterling Liquidity Fund	3	0.181%	A+	4.72	3.9	3.9
14	Deutsche Managed Sterling Fund	Adv	0.163%	AA-	4.30	3.9	3.9
15	Aberdeen Liquidity Funds - Sterling Fund	K	0.172%	A+	4.59	3.7	3.7
16	Insight Liquidity Funds PLC - GBP Liquidity Fund	5	0.160%	A+	4.94	2.6	2.6
17	Fidelity Institutional Liquidity Sterling Fund	A	0.137%	AA-	4.26	2.3	2.3
18	JP Morgan Sterling Liquidity Fund	Inst	0.130%	A+	4.83	1.4	1.4
19	HSBC Sterling Liquidity Fund	A	0.122%	A+	5.03	0.9	0.9
20	BNY Mellon Sterling Liquidity Fund	Adv	0.121%	A	5.98	0.6	0.6

### Money Market Fund Maximum Investment Size (as at 31<sup>st</sup> May 2017)

Money Market Fund	AAA Ratings		WAM (Y)		Fund Invest	
	Finch	Mojo	Inst	SIIP	Size (£m)	Max (£m)
Aberdeen Liquidity Funds - Sterling Fund	✓	✓	52	✓	16.13	80.7
Amundi Money Market Fund - Short Term (GBP)	✓	✓	47	✓	0.74	14.8
AVIVA Investors Sterling Liquidity Fund	✓	✓	38	✓	19.76	98.8
BlackRock Institutional Sterling Liquidity Fund	✓	✓	53	✓	38.31	191.6
BNP Paribas Insticash Sterling	✓	✓	49	✓	2.06	10.3
BNY Mellon Sterling Liquidity Fund	✓	✓	31	✓	2.93	14.7
CCLA - The Public Sector Deposit Fund	✓	✓	46	✓	0.34	1.7
Deutsche Managed Sterling Fund	✓	✓	50	✓	7.86	39.3
Federated Short-Term Sterling Prime Fund	✓	✓	53	✓	1.67	8.4
Fidelity Institutional Liquidity Sterling Fund	✓	✓	45	✓	1.18	5.9
Goldman Sachs Sterling Liquid Reserves	✓	✓	48	✓	12.81	64.1
HSBC Sterling Liquidity Fund	✓	✓	51	✓	7.47	37.4
Insight Liquidity Funds PLC - GBP Liquidity Fund	✓	✓	34	✓	25.54	127.7
Invesco AIM Sterling Liquidity Portfolio	✓	✓	54	✓	1.69	33.8
JP Morgan Sterling Liquidity Fund	✓	✓	46	✓	12.84	64.2
LGIM Sterling Liquidity Fund	✓	✓	52	✓	30.49	152.5
Morgan Stanley Sterling Liquidity Fund	✓	✓	53	✓	2.53	12.7
Standard Life Investments Sterling Liquidity Fund	✓	✓	51	✓	15.23	76.2
State Street Global Advisors Sterling Liquidity Fund	✓	✓	37	✓	4.03	20.2
UBS Select Money Market Fund	✓	✓	40	✓	0.86	4.3

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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 11</b>
<b>DATE OF MEETING:</b>	<b>31<sup>st</sup> AUGUST 2017</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE and CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (01283 595811)</b> <a href="mailto:Kevin.stackhouse@south-derbys.gov.uk">Kevin.stackhouse@south-derbys.gov.uk</a>	<b>DOC:</b> u/ks/treasury management/lending policy/Lamit Property Fund/Land Property Fund Proposal
<b>SUBJECT:</b>	<b>THE LOCAL AUTHORITIES' PROPERTY FUND</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendations**

- 1.1 That the policy test for long-term investments as detailed in the report is approved and the Council's Investment Strategy is updated accordingly.
- 1.2 That the CCLA Lamit Property Fund is added to the Council's approved Counterparty List and the Investment Policy and Treasury Management Strategy are updated accordingly.
- 1.3 That the Council invests £1m into the CCLA Lamit Property Fund for an indefinite period, subject to quarterly review.
- 1.4 That progress on the value of the cash deposit together with dividend returns is reported to the Committee on a quarterly basis.

## **2.0 Purpose of the Report**

- 2.1 To consider a proposal to invest a proportion of the Council's cash deposits into a local authority property fund.

## **3.0 Detail**

- 3.1 Recent financial and treasury management reports to the Committee have highlighted the increasing level of cash and reserves available for deposit.
- 3.2 All current deposits are short-term (less than 364 days) and tend to be held in instant access accounts, although longer fixed-term arrangements exist with other local authorities. The Council's Lending Policy is to ensure that security and liquidity are paramount in [Page 95 of 101](#) decisions.

- 3.3 In recent years, the number of named investors on the approved Counterparty List has diminished due to stricter lending criteria and the reduction in credit ratings of several financial institutions.
- 3.4 In addition, spreading the Council's deposits is proving more difficult within the credit limits set for each type of investment. Typically, the Council has between £10m to £20m on deposit during the year.
- 3.5 Given this level of cash and reserves, some research has been undertaken to determine whether there are options to invest longer-term and to generate a greater return on the cash deposited.
- 3.6 There are several options available, many of which would involve the use of financial instruments such as Bonds and Treasury Bills. These instruments are regulated and tend to generate greater returns.
- 3.7 However, they are more risky, can involve intermediaries and carry a cost. In addition, they can create complications on how they are accounted for and shown on the Council's Balance Sheet. The Council could also directly buy property or invest in the property market.
- 3.8 The potential risks involved with all of these options, would probably fall outside the current risk appetite in the Council's Lending Policy which is designed to minimise risk. However, it is considered that the main drawback of the Council's current Policy is that it is not adequately diversified given the current and forecasted level of cash reserves.

### **Longer-term Investments**

- 3.9 Longer-term deposits (greater than 1-year) can be more risky in that capital is tied up and the value of that capital can reduce, or even disappear altogether. This has been the case in the recent past where some local authorities have incurred some substantial losses in their longer-term investment portfolio.
- 3.10 There are many authorities in the Council's situation in that tightening of investment criteria, coupled with cash reserves, has increased demand for diversification and to look beyond traditional cash deposits. In addition, some authorities are looking for a greater return given the current level of low interest rates.
- 3.11 Longer-term investments are just that – the investment needs to be made into the longer-term so that any downturn in capital valuation or yields is evened out over a period of years.

### **Policy Test (Risk Appetite)**

- 3.12 In considering diversification and in making a decision to enter into a longer-term investment, it is recommended that the following criteria are met:

- The Council can afford to make a longer-term investment of up to 5-years and beyond, i.e. a proportion of cash reserves will never be required immediately.
- The investment model or tool is well-established, regulated and ideally used by other local authorities.
- Past and current performance is strong and has recovered following downturns in the economic cycle, i.e. its prospects for sustainability are good.
- The risk of capital loss is minimal.
- There is flexibility to withdraw Capital.
- The yield is greater than short-term interest rates.
- There are no complicated administrative or technical arrangements and costs associated with investment are minimal.
- The accounting arrangements meet the Local Government Code of Practice.

3.13 Following discussions with the Council's Treasury Advisors, the Council's options are limited when compared to the above policy test.

3.14 However, there is one option available which has been considered in some detail. This investment model effectively entails buying into a local authority property fund.

### **CCLA LAMIT Property Fund**

3.15 This Fund exists solely for local authorities, including town and parish councils. Although the Fund has been in existence since 1972, it is only in recent years that it has been used and grown significantly.

3.16 Currently, there are 186 local authority members and the Fund had a total capital value of approximately £765m as at 30th June 2017. Individual investments range from £25,000 (minimum) to £50m (maximum).

### **Governance**

3.17 The Fund is managed by the CCLA (Churches, Charities and Local Authorities) which is an organisation set up over 50 years ago to manage investments on behalf of charities, religious organisations and the public sector.

3.18 CCLA are a limited company and act as Fund Managers. They manage properties and provide the administration for the operation of the Fund. CCLA manage several funds and they are authorised and regulated by the Financial Conduct Authority.

- 3.19 The Fund itself is governed by a separate organisation – the Local Authorities' Mutual Investment Trust (LAMIT). LAMIT acts as the trustee of the Fund. This body is controlled by appointees of the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Committee, together with investors in the Fund.
- 3.20 LAMIT are independent and set the investment strategy, risk profile and review performance.

### **Accounting Matters**

- 3.21 Investment in property funds normally counts as capital expenditure under local authority accounting regulations.
- 3.22 However, the Fund is approved by HM Treasury under the 1961 Trustee Investments Act and this gives the Fund a unique accounting basis for local authorities. The capital investment is recorded as a long-term cash investment on the Balance Sheet at the initial amount (value) invested, whether the cash amount appreciates or depreciates from year-to-year.
- 3.23 Therefore, the General Fund is protected from fluctuations in the capital value of unit prices and dividends are treated as revenue income. Dividends are not subject to tax.
- 3.24 When the cash is withdrawn, any appreciation counts as a capital receipt. Any depreciation upon withdrawal compared to the original cash investment, would need to be made good from other resources.

### **Impairment**

- 3.25 An investment in the Fund would only be considered impaired if there was a significant or prolonged decline in the unit price below the level at which the units were bought. In that case, the loss at that time would be accounted for in the General Fund.

### **Operation of the Fund**

- 3.26 When an authority invests in the Fund, it buys "units". As an authority enters the Fund, the cash injection is used to purchase properties and increase the overall property portfolio.
- 3.27 The property managers (employed by CCLA) manage properties, sell and buy new properties, etc. Some cash reserves are kept in the Fund for liquidity and as a contingency.
- 3.28 Payments in and out of the Fund are strictly regulated and trading days, when cash transactions take place, occur on only one day per month. Notice is required and this allows CCLA to manage cash flow accordingly.

3.29 The objectives are fairly simple in that the Fund is designed to generate a high level revenue return based on the initial cash investment and to provide capital appreciation over a longer-term.

### **The Current Property Portfolio**

3.30 The Fund is used solely to invest in UK based commercial, industrial and retail property. Property is currently owned all over the UK and includes shops, shopping centres, warehousing, conference centres and offices.

3.31 Property is rented and leased out to tenants in order to generate a yield based on the value of each asset. Property subsequent sold at a profit as part of portfolio management, is returned to the Fund.

3.32 Property is managed by CCLA property managers and this includes marketing, void management and lease arrangements, etc.

3.33 The current portfolio includes 57 individual holdings with the principal holdings being in offices and retail parks in London, the Bracknell Arena, Bristol Retail Park, the Peugeot facility in Coventry, Cambridge Science Park, together with property in Leeds and Edinburgh.

3.34 Tenants include multi-national companies, major retail outlets and more medium-sized, local businesses. The latest published vacancy rate was 6.4% with unexpired leases averaging 5.2 years.

3.35 A full list of the portfolio is included in the links to the background papers in **Section 7**.

### **Investing**

3.36 There are no direct entry or exit fees and payments in and out of the Fund can be made at any time subject to the restricted trading days as detailed earlier in the report. Therefore, there is no fixed term maturity arrangement and withdrawals can be made at any time.

3.37 However, it should be noted that if cash is not invested over a longer-term, the capital value of the investment will likely depreciate.

3.38 CCLA charge an annual management fee of 0.65% to cover costs, but this is deducted and included in the net dividend paid. Dividends are paid quarterly.

3.39 The Fund is effectively a unit trust fund. When an investment is made into the Fund, the cash deposit buys units. As at June 2017, a unit was valued (**offer price**) at £3.10p. So, for example, if £1m was invested, this would buy 322,581 units ( $£1m / 3.10p$ ).

3.40 As at June 2017, the **bid price** of a unit was £2.86p each. This is the price which determines the capital amount repaid on exiting the Fund. Therefore, effectively the cash deposit of £1m is immediately reduced to £923,354 ( $322,581 * £2.86$ ).

- 3.41 The difference between the offer and the bid prices is maintained at around 7.75% and this reflects the cost of entry. This covers the cost of stamp duty of buying new property (5%) together with 2.75% to cover professional fees and other costs. Except for the on-going management cost deducted from dividends, no other costs are then payable.
- 3.42 Over a period of time, the offer and bid prices generally rise but the differential between the two prices of 7% to 8% remains the same.
- 3.43 The principle of the Fund is that over time, the bid price of a unit, in this example, of £2.86p will rise above the offer price paid of £3.10p. For example, say in 5 years, if the bid price has risen to £3.40p, the £1m would be worth just under £1.1m ( $322,581 * £3.40p$ ).
- 3.44 In the meantime, dividends are paid on the initial cash deposit, disregarding any fluctuations in the value of the capital investment. So, in the above example, the quarterly dividend would be paid on the £1m – the 322,581 units held for as long as the cash deposit remained in the Fund.
- 3.45 In this example, if a dividend of 13p per unit was declared, this would equate to £41,936 ( $322,581 * 13p$ ) – a return of 4.2% on the £1m invested.

### **Past Performance of the Fund**

- 3.46 It should be noted that past performance of the Fund is no guarantee of future performance.
- 3.47 Property valuations and prices can vary and are subject to the economic cycle.
- 3.48 Yearly dividends (*net of the management fee*) over the last 10 financial years are shown in the following table.

<b>Financial Year</b>	<b>Dividend per Unit (in pence)</b>	<b>%'age return</b>
2007/08	0.1264	4.09%
2008/09	0.1606	5.20%
2009/10	0.1273	4.12%
2010/11	0.1433	4.64%
2011/12	0.1340	4.34%
2012/13	0.1284	4.16%
2013/14	0.1148	3.72%
2014/15	0.1342	4.34%
2015/16	0.1396	4.52%
2016/17	0.1319	4.27%

- 3.49 These returns can be compared with the average 7-day market rate upon which the Council has been paid interest on its short-term cash deposits.

3.50 Besides 2007/08, the returns in the above table have been well above the average market rate and this rate has been no higher than 0.6% since 2009/2010 when the Bank Base Rate was reduced from 1% to 0.5%. The equivalent rate was only 0.36% in 2016/17 following the reduction in the Bank Base Rate to 0.25% in August 2016.

### Capital Growth

3.51 The capital value of the Fund is based on the net asset value per Unit. This unit value lies between the offer and bid prices.

3.52 The average net asset value of a unit has increased from £2.27p in 2013 to £2.87p per unit as shown in the following table.

	31/3/13	31/3/14	31/3/15	31/3/16	31/3/17
Offer (pence)	2.41	2.61	2.92	3.13	3.15
Bid (pence)	2.23	2.23	2.43	2.75	2.78
<b>Net Value (pence)</b>	<b>2.27</b>	<b>2.44</b>	<b>2.74</b>	<b>2.92</b>	<b>2.87</b>

3.53 The table shows how the net value price can fluctuate, although the direction of travel has been upwards in this period. There was a reduction between the 2016 and 2017 financial years.

3.54 However, the bid price still rose marginally. If an investment had been made in March 2013 at an offer price of £2.41p per unit, those units would have been worth £2.78p by March 2017.

3.55 Capital growth over a much longer-term is shown in the following table.

		Per Year	Cumulative	Inflation
1	2004	22%		3.00%
2	2005	17%	39%	2.80%
3	2006	20%	59%	3.20%
4	2007	-2%	57%	4.30%
5	2008	-30%	27%	4.00%
6	2009	-1%	26%	-0.50%
7	2010	17%	43%	4.60%
8	2011	6%	49%	5.20%
9	2012	4%	53%	3.20%
10	2013	9%	62%	3.00%
11	2014	14%	76%	2.40%
12	2015	9%	85%	1.00%
13	2016	-2%	83%	1.80%

3.56 The table shows that the capital value of the Fund has grown by 83% cumulatively since 2004. Clearly, over a longer period, the timing of entry into and exit from the Fund, will determine the capital appreciation over this time.

- 3.57 The large reduction in 2008 was due to the “credit crunch”. The smaller reduction more recently in 2016 was put down to the uncertainties relating to the EU referendum and the outcome of Brexit.
- 3.58 If an investment had been made in the Fund in 2008 at the time of a significant reduction in the capital value, this reduction would have been offset by 2013 from subsequent increases.
- 3.59 These statistics perhaps demonstrate that any investment in property needs to be made for the longer-term. Looking at the general value of property more historically, overall values have consistently increased since 1970.
- 3.60 The exceptions were in 1974, where the value of property fell at a rate similar to that evidenced in 2008; this was put down to the UK economic recession at that time. There were smaller decreases in 1990, 1991 and 1992 due a downturn in the UK economy and global financial markets.

### **How much could the Council Afford to Invest**

- 3.61 The value of the Council’s reserves totalled approximately £26.1m as at 31<sup>st</sup> March 2017 as shown in the following table.

General Fund	£8.4m
Earmarked Reserves (incl Section 106)	£8.5m
Housing Revenue Account	£3.7m
Capital Receipts	£4.3m
Major Repairs / Debt Repayment (HRA)	£1.2m

- 3.62 The Council typically has anywhere between £10m and £20m invested on a daily basis. In addition, the Council is required to maintain a minimum balance of at least £2m - £1m each for the General Fund and HRA. Based on the current MTFP and HRA Financial Projection, it is considered very unlikely that the Council’s overall reserves will fall to anywhere near this level over the next 5-years.
- 3.63 Therefore, it is considered that the Council could afford an initial investment of £1m. This would allow a contingency position regarding the minimum balance requirements.

### **Joining the Fund**

- 3.64 Authorities have to formally apply to join the Fund having sought their own internal approvals and are subject to a “credit check” although this is a fairly straightforward process. The CCLA reserve the right to refuse an application but this would not be anticipated.
- 3.65 Authorities have the flexibility to make partial withdrawals of capital subject to notice and the allocated trading day and also the option of buying more units and adding to the original investment.

### **The Risks and Benefits**

- 3.66 The main risk has already been highlighted in that property valuations and prices can vary and indeed reduce. This is dependent on prevailing economic conditions.
- 3.67 In addition, dividend yields can vary and are not guaranteed unlike fixed bank deposits. Yields from the Fund have consistently been well above short-term interest rates in recent years.
- 3.68 The latest forecast (June 2017) for short-term interest provided by the Council's Treasury Advisors, shows the current Bank Base rate remaining unchanged at 0.25% until well into 2020. Their risk analysis shows forecasts at no more than a 0.25% variation either side in the interim.
- 3.69 The data detailed earlier does however highlight, that property values usually appreciate over time, well in excess of inflation and recover from major downturns. Clearly though, this cannot be guaranteed.
- 3.70 Following the initial uncertainty immediately following the UK's decision to leave the EU in 2016, property values did reduce. However, they have since recovered and have recently started to rise over the previous 9 months. Discussions with both the CCLA and the Council's Treasury Advisors confirm that uncertainty will probably exist in the economy until the outcome of Brexit is agreed.
- 3.71 The LAMIT Fund is a simple and efficient route to invest in property. Whereas a directly held property portfolio requires a substantial scale to achieve an appropriate spread of investments, a unitised approach can work regardless of the scale of the investor.
- 3.72 The pooled Fund allows the efficient management and maintenance of the underlying property and offers a geographical and diverse spread. Furthermore, this Fund offers unique accounting benefits for local authorities.
- 3.73 Although units can be cashed at any time, it is not a liquid asset given the limited trading days and notice required to withdraw cash. Even the literature produced by the Fund Managers, stresses "that the investment horizon for investors in the Fund should be measured in years".

### **Comparison to the Policy Test**

- 3.74 The Fund has been assessed against the 8 points recommended earlier in the report.

Policy Test	Comments
The Council can afford to make a longer-term investment of up to 5-years and beyond, i.e. a proportion of cash reserves will never be required immediately.	The proposal includes an investment of £1m as detailed earlier in the report.
The investment model or tool is well-established, regulated and ideally used by other local authorities.	The LAMIT Property Fund has existed since 1972 and currently has 186 local authority unit holders. The CCLA, as property managers, are regulated by the Financial Conduct Authority.
Past and current performance is strong and has recovered from downturns in the economic cycle, i.e. its prospects for sustainability are good.	As detailed in the report. Good capital growth over the medium to longer-term and annual dividends paid. The Fund recovered from the Credit Crunch in 2008/09 and has since grown in value and in the number of unit holders.
The risk of capital loss is minimal.	The capital value could depreciate but whilst property is held, the units will always be of some value. Unless the Fund is liquidated, the capital is unlikely to be lost in its entirety.
The yield is greater than short-term interest rates.	The report highlights that annual returns have been well above short-term interest rates over recent years. The general forecast for short-term interest rates is that they will remain at or around current levels until 2020.
There is flexibility to withdraw Capital.	The investment, in the form of Units, can be withdrawn at any time subject to specified trading days and a notice period. The investment is not subject to a specified maturity period.
There are no complicated administrative or technical arrangements and costs associated with investment are minimal.	This is all undertaken by the Fund Managers for a fixed fee which is deducted before the dividend is declared and paid.
The accounting arrangements meet the Local Government Code of Practice.	The Fund is compliant and provisions exist in the Local Authority Accounting Code of Practice under International Accounting Standard 39. The unique status of the Fund from an accounting perspective is detailed in the report.

## Conclusion

3.75 As far as it can be ascertained, the Council has never invested its cash reserves on a long-term basis. In addition, the Council has never suffered any loss of capital that it has deposited.

- 3.76 There is perhaps always a risk with any type of investment. The current “bail-in” regulations should a large bank or financial institution face financial difficulties, potentially mean that short-term investments could be lost with a traditional UK based bank for example, as the Government can longer intervene and bail out any of the so-called “big banks”.
- 3.77 The Council’s current Lending Policy and Counterparty List is very risk averse, but it generally accords with Government guidelines, i.e. security and liquidity takes precedence over yield.
- 3.78 Funds are deposited in instant access accounts, the Bank of England and other local authorities. The risk of losing capital is negligible.
- 3.79 The Counterparty List is however not diverse enough to deal with the amount of cash and reserves held by the Council. In addition, with the current level of historically low interest rates, the Council is generating a very low rate of return.
- 3.80 Consideration should be given as to whether a proportion of the Council’s cash and reserves should be utilised and invested longer-term, to generate additional income for the Council and to eventually generate a capital receipt. Clearly, the risk will increase and there is perhaps a balance to be struck.
- 3.81 The LAMIT Fund clearly has a track record of producing a constant yield and an increase in capital value. It is a large local authority fund and this does reduce the risk and overall, it is considered that it meets the 8-point policy test as detailed earlier in the report.
- 3.82 It is recommended that entry into the Fund should be sooner rather than later as property values and the offer price are increasing. At some point, history shows that there is likely to be a dip in property values and this would need to be cushioned from long-term investment, although the exit from the Fund may precede this.

#### **4.0 Financial Implications**

4.1 As detailed in the report

#### **5.0 Corporate Implications**

5.1. None directly

## **6.0 Community Implications**

6.1 None directly

## **7.0 Background Papers**

7.1 Further details of the Fund, including analysis of performance and accounts, etc. are available at:

<https://www.ccla.co.uk/investment-solutions/fund/the-local-authorities-property-fund>

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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 12</b>
<b>DATE OF MEETING:</b>	<b>31<sup>st</sup> AUGUST 2017</b>	<b>CATEGORY: DELEGATED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF FINANCE AND CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (EXT 5811)</b>	<b>DOC:</b>
<b>SUBJECT:</b>	<b>COMMITTEE WORK PROGRAMME</b>	<b>REF:</b>
<b>WARD(S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: G</b>

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### **1.0 Recommendations**

1.1 That the Committee considers and approves the updated work programme.

### **2.0 Purpose of Report**

2.1 The Committee is asked to consider the updated work programme.

### **3.0 Detail**

3.1 Attached at Annexe 'A' is an updated work programme document. The Committee is asked to consider and review the content of this document.

### **4.0 Financial Implications**

4.1 None arising directly from this report.

### **5.0 Background Papers**

5.1 Work Programme.

**Finance and Management Committee – 31<sup>st</sup> August 2017  
Work Programme**

<b>Work Programme Area</b>	<b>Date of Committee meetings</b>	<b>Contact Officer (Contact details)</b>
<b>Reports Previously Considered By Last 3 Committees</b>		
Individual Electoral Registration – Public Engagement Strategy	27 <sup>th</sup> April 2017	Ardip Kaur Legal and Democratic Services Manager (01283 595715)
Service Plan	15 <sup>th</sup> June 2017	Keith Bull Head of Communications (01283 598705)
Equalities and Safeguarding Annual Report 2016/17	15 <sup>th</sup> June 2017	Keith Bull Head of Communications (01283 598705)
Training and Development Annual Report 2016/17	15 <sup>th</sup> June 2017	David Clamp Head of Organisational Development (01283 595729)
Health and Safety at Work Annual Report 2016/17	15 <sup>th</sup> June 2017	David Clamp Head of Organisational Development (01283 595729)
Compliments, Complaints and Freedom of Information Requests: 1st October 2016 to 31st March 2017	15 <sup>th</sup> June 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)

Consultation Annual Report 2016/17	15 <sup>th</sup> June 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Treasury Management Annual Report 2016/17	22 <sup>nd</sup> June 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Budget Out-turn 2016/17	22 <sup>nd</sup> June 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
<b>Provisional Programme of Reports To Be Considered by Committee</b>		
Corporate Plan 2016-21: Performance Report (1 April – 30 June 2017)	31 <sup>st</sup> August 2017	Corporate Plan 2016-21: Performance Report (1 April – 30 June 2017)
Data Quality Annual Performance Report 2016/17	31 <sup>st</sup> August 2017	Keith Bull Head of Communications (01283 598705)
Budget and Financial Monitoring 2017/18	31 <sup>st</sup> August 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Money Market Funds	31 <sup>st</sup> August 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)

The Local Authorities' Property Fund	31 <sup>st</sup> August 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Final Accounts and Statutory Financial Statements 2016/17	21 <sup>st</sup> September 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
ICT Strategy and Work Plan to 2020	12 <sup>th</sup> October 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Medium-term Financial Plan Review	12 <sup>th</sup> October 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Corporate Plan 2016-21: Performance Report (1 July – 30 September 2017)	30 <sup>th</sup> November 2017	Keith Bull Head of Communications (01283 598705)
Budget and Financial Monitoring 2017/18	30 <sup>th</sup> November 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Proposed Local Council Tax Support Scheme 2018/19	30 <sup>th</sup> November 2017	Kevin Stackhouse Director of Finance and Corporate Services (01283 595811)
Corporate Plan 2016-21: Performance Report (1 October – 31 December 2017)	15 <sup>th</sup> March 2018	Keith Bull Head of Communications (01283 598705)

Corporate Plan 2016-21: Performance Report (1 January – 31 March 2018)	2018/19	Keith Bull Head of Communications (01283 598705)
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