Committee Agenda

Epping Forest District Council

Finance and Performance Management Cabinet Committee
Thursday, 18th September, 2014

You are invited to attend the next meeting of **Finance and Performance Management Cabinet Committee**, which will be held at:

Committee Room 1, Civic Offices, High Street, Epping
on **Thursday, 18th September, 2014**
at **7.00 pm** .

Glen Chipp
Chief Executive

Democratic Services Officer Rebecca Perrin, The Office of the Chief Executive
Tel: 01992 564532 Email:
democraticservices@eppingforestdc.gov.uk

Members:

Councillors Ms S Stavrou (Chairman), A Lion, J Philip, D Stallan and C Whitbread

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PLEASE NOTE THE START TIME OF THIS MEETING

BUSINESS

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

(Director of Governance) To declare interests in any item on this agenda.

3. MINUTES

To confirm the minutes of the last meeting of the Committee held on 28 July 2014 (previously circulated).

4. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972, together with paragraphs 6 and 25 of the Council Procedure Rules contained in the Constitution require that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

In accordance with Operational Standing Order 6 (non-executive bodies), any item raised by a non-member shall require the support of a member of the Committee concerned and the Chairman of that Committee. Two weeks' notice of non-urgent items is required.

5. GOVERNMENT CONSULTATION ON FINANCE SETTLEMENT (Pages 5 - 10)

(Director of Resources) To consider the attached report (FPM-006-2014/15).

6. ANNUAL OUTTURN REPORT ON THE TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS 2013/14 (Pages 11 - 34)

(Director of Resources) To consider the attached report (FPM-007-2014/15).

7. QUARTERLY FINANCIAL MONITORING (Pages 35 - 58)

(Director of Resources) To consider the attached report (FPM-008-2014/15).

8. RISK REGISTER (Pages 59 - 80)

(Director of Resources) To consider the attached report (FPM-009-2014/15).

9. ANNUAL GOVERNANCE REPORT (Pages 81 - 84)

(Director of Resources) To consider the attached report (FPM-010-2014/15).

10. EXCLUSION OF PUBLIC AND PRESS

Exclusion: To consider whether, under Section 100(A)(4) of the Local Government Act 1972, the public and press should be excluded from the meeting for the items of business set out below on grounds that they will involve the likely disclosure of exempt information as defined in the following paragraph(s) of Part 1 of Schedule 12A of the Act (as amended) or are confidential under Section 100(A)(2):

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

The Local Government (Access to Information) (Variation) Order 2006, which came into effect on 1 March 2006, requires the Council to consider whether maintaining the exemption listed above outweighs the potential public interest in disclosing the information. Any member who considers that this test should be applied to any currently exempted matter on this agenda should contact the proper officer at least 24 hours prior to the meeting.

Confidential Items Commencement: Paragraph 9 of the Council Procedure Rules contained in the Constitution require:

(1) All business of the Council requiring to be transacted in the presence of the press and public to be completed by 10.00 p.m. at the latest.

(2) At the time appointed under (1) above, the Chairman shall permit the

completion of debate on any item still under consideration, and at his or her discretion, any other remaining business whereupon the Council shall proceed to exclude the public and press.

(3) Any public business remaining to be dealt with shall be deferred until after the completion of the private part of the meeting, including items submitted for report rather than decision.

Background Papers: Paragraph 8 of the Access to Information Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

(a) disclose any facts or matters on which the report or an important part of the report is based; and

(b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information (as defined in Rule 10) and in respect of executive reports, the advice of any political advisor.

Inspection of background papers may be arranged by contacting the officer responsible for the item.

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Report to the Finance Performance Management Cabinet Committee

Epping Forest District Council

Report reference: FPM-006-2014/15
Date of meeting: 18 September 2014

Portfolio: **Finance**

Subject: **Government Consultation on Finance Settlement**

Responsible Officer: **Bob Palmer (01992 564279).**

Democratic Services: **Rebecca Perrin (01992 564532).**

Recommendations/Decisions Required:

To consider and amend where necessary the proposed responses to the Government consultation.

Executive Summary:

At the end of July the Government issued a technical consultation on the Local Government Finance Settlement 2015/16. The consultation runs for ten weeks to 25 September.

A brief summary of the consultation paper is provided in the report below, with the draft responses attached as a separate appendix. Some exemplifications have been provided to support the various proposals but it is not clear in some instances if this Council will benefit from a given change or alternative. Where it is unclear what the effect of a proposal will be or the case for it has not been well made in the consultation the suggested response is "No Comment".

Reasons for Proposed Decision:

To determine the responses to be made to the consultation.

Other Options for Action:

Members could decide to not respond, to respond in part or to respond in full to each of the six questions.

Report:

Technical Consultation – Local Government Finance Settlement 2015/16

1. This consultation seeks views on a limited range of detailed and technical issues concerning the 2015/16 Local Government Finance Settlement. Illustrative figures for the 2015/16 Settlement were published as part of the 2014/15 Settlement. Exemplifications are provided for potential changes arising from the consultation. Only one of the proposals changes the grant for this Council and that is the "Rolling in" of council tax freeze support and this would increase our Settlement Funding Assessment by £83,000 to £5,476,000.

2. It is something of a relief that the consultation has not proposed any additional reductions

in funding. However, it should be remembered that the Funding Assessment for 2014/15 is £6,375,000 and so the additional funds for 2015/16 mean that the reduction in Funding Assessment could be 14.1% instead of 15.4%.

3. The appendix lists the six questions and provides an explanatory comment and draft response for each question. Member's views are requested.

Resource Implications:

As the consultation sets out different options the resource implications are unclear but in constructing the MTFS a prudent view has been taken on each issue.

Whatever the outcome of the consultation it is clear that local authorities will suffer a further substantial reduction in their funding.

Legal and Governance Implications:

Changes following the consultation will be included in subsequent Local Government Finance Bills and will come into effect from 1 April 2015.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

DCLG Consultation document –

a) Local Government Finance Settlement 2015/16

Copies of the above document are available on the DCLG website or can be obtained from the Director of Resources.

Risk Management:

There is a risk that if insufficient responses are made to consultations the Government will either stop consulting or will not act on the responses they receive.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
5/09/14 Director of Resources	The report is about responding to a Government consultation. Whilst the response is aimed at increasing overall resources it does not deal with the use of those resources and so has no equalities implications.

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Appendix 1

Technical Consultation – Local Government Finance Settlement 2015/16 – Draft Responses

Question 1: Do you agree that compensation for the cap should be paid on the basis of the reduction to retained business rates income adjusted to account for lower tariffs and top-ups as in 2014/15?

Comment – The business rates retention scheme had anticipated annual indexation in line with the September RPI figure. However, in the 2013 Autumn Statement the increase was capped and so the increase was reduced from 3.2% to 2%. This reduced income to local authorities and so the Government paid a section 31 grant as compensation.

Draft Response – It is appropriate that local authorities are compensated for this change and this is an acceptable method.

Question 2: Do you agree that the 2014/15 Council Tax Freeze Grant should be rolled into Revenue Support Grant, and combined with the 2013/14 Council Tax Freeze funding element as a single element?

Comment – In line with the commitment to authorities at the time of take up, the Government wishes to ensure that the 2014/15 Council Tax Freeze Grant is protected in cash terms and only benefits authorities that froze council tax in 2014/15. As an authority that chose to freeze council tax we benefit from this proposal and the exemplifications show an increase of £83,000 in our funding from this change. The current funding mechanism is a very complicated one and so anything that combines elements improves our chances of understanding the overall calculation.

Draft Response – It is important that the Government honours its commitment to authorities that froze council tax. Anything that simplifies the allocation system or minimises the number of elements is supported.

Question 3: Do you agree that, subject to satisfactory progress by individual authorities, the 2014/15 Efficiency Support Grant should be rolled in as a separate element for the qualifying authorities?

Comment – Efficiency Support Grant was made available to assist the authorities suffering the greatest reductions in funding. This authority did not qualify for the grant and the exemplifications show no change arising from this proposal.

Draft Response – No comment.

Question 4: Do you agree that the 2014/15 Rural Services Delivery Grant should be rolled in and combined with the rural funding element?

Comment – The Government believes there are additional costs of service delivery in rural areas and so has allocated some funding on the basis of the “super sparsity indicator”. We are not sufficiently sparse to benefit from this. The only authorities in Essex who do benefit are Uttlesford, Braintree and Maldon although Utllesford only receive £7,000 and the other two only £1,000 each.

Draft Response – No comment.

Question 5: Do you agree with the proposed methodology for reducing funding to authorities which have fallen below the threshold for participation in the Carbon Reduction Energy Efficiency Scheme, to take account of the loss in tax revenue to the Exchequer?

Comment – As you may have worked out from the question, this is extremely complicated but thankfully has nothing to do with district councils. The exemplifications show no change to our funding from this proposal.

Draft Response – No comment.

Question 6: Do you have any comments on the impact of the 2015/16 settlement on protected groups, and on the draft Equality Statement?

Comment – The DCLG are required to do an impact assessment and an Equality Statement as part of any consultation.

Draft Response – No comment.

Report to: Finance and Performance Management Cabinet Committee

Report reference: FPM-007-2014/15
Date of meeting: 18 September 2014

Epping Forest District Council

Portfolio: **Finance**

Subject: **Annual Outturn Report on the Treasury Management and Prudential Indicators 2013/14**

Responsible Officer: **Simon Alford (01992 564455)**

Democratic Services Officer: **Rebecca Perrin (01992 564532)**

Recommendations/Decisions Required:

(1) That Members note the 2013/14 outturn for Prudential Indicators shown within the appendices; and

(2) That Members note the Treasury Management Outturn Report for 2013/14.

(3) That Members recommend to Council a change to the Treasury Management Strategy Statement 2014/15 to 2016/17 to permit lending to Service Providers that the Council is in a contractual relationship with, e.g. the Waste Procurement Contract.

Executive Summary:

The annual treasury report is a requirement of the Council's reporting procedures. It covers the treasury activity for 2013/14, and the actual Prudential Indicators for 2013/14.

During the year the Council has financed all of its capital activity through capital receipts, capital grants and revenue contributions. There has been no additional borrowing in the year to add to the £185.456m taken out previously through the Public Works Loan Board (PWLB) to finance the payment in relation to the self-financing of the HRA. The Council achieved its targets for its treasury and prudential indicators.

This report and the appendices will be considered by the Audit and Governance Committee on 25th September.

Reasons for Proposed Decision:

The report is presented for noting as scrutiny is provided by the Audit and Governance Committee who make recommendations on amending the documents, if necessary.

Other Options for Action:

Members could ask for additional information about the CIPFA Codes or the Prudential Indicators.

Report:

Introduction

1. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management), which includes the requirement for reporting on the treasury outturn on the financing and investment activity for the previous year.

2. The report attached at appendix 1 shows the Treasury Management Outturn Report for 2013/14 in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code.

Capital activity for the year and how it was financed

3. The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through capital receipts, capital grants etc.; or
- If insufficient financing is available, or a decision is taken not to apply capital resources, the expenditure will give rise to a borrowing need.

4. The Council has fully financed its capital expenditure. Similarly to revenue expenditure, capital expenditure is split between the Statutory Housing Revenue Account (HRA) and other expenditure. The actual capital expenditure and financing is shown below in the table.

	2013/14	2013/14	**2013/14**
Capital Expenditure	Estimated £m	Revised £m	**Outturn £m**
Non-HRA capital expenditure	4.326	4.555	**2.331**
HRA capital expenditure	13.918	11.130	**10.675**
Total Capital Expenditure	**18.244**	**15.685**	**13.006**
Financed by:			
Capital grants	0.937	1.254	**0.994**
Capital receipts	4.398	3.402	**1.644**
Revenue	12.909	11.029	**10.368**
Total Resources Applied	**18.244**	**15.685**	**13.006**
Closing balance on:			
Capital Receipts	10.153	12.741	17.467
Major Repairs Reserve	8.168	9.998	11.359

The impact on the Council's indebtedness for capital purposes

5. The Council's underlying need to borrow is called the Capital Financing Requirement (CFR). This figure is a gauge for the Council's debt position. The Council has previously borrowed £185.456m to finance the payment to Government for housing Self-Financing. This resulted in the Council CFR becoming an overall positive CFR (HRA and Non-HRA).

No further borrowing has been incurred in 2013/14.

CFR	2013/14 Estimated £m	2013/14 Revised £m	**2013/14 Outturn £m**
Non-HRA	38.6	38.6	**43.2**
HRA	155.1	155.1	**145.6**
Closing balance	**193.7**	**193.7**	**188.8**

6. The Council's policy on Minimum Revenue Provision (MRP), a mechanism for the amount to be set aside from revenue for the repayment of the debt principal, was approved by Council on 19 February 2013.

7. The Authority's CFR at 31st March 2012 became positive as a result of Housing self-financing. This would normally require the local authority to charge MRP to the General Fund in respect of non-HRA capital expenditure funded from borrowing. CLG has produced regulations to mitigate this impact and as such under Option 2 (the CFR method) there is no requirement to charge MRP.

The Council's overall treasury position

8. The table below shows the Council's treasury position for 2013/14.

Treasury position	31/3/2013 £m	**31/3/2014 £m**
Total external Debt	**185.456**	**185.456**
Short Term Investments	35.180	48.7
Fixed Term Investments	10.070	10.0
Total Investments	**45.25**	**58.7**
(Net Borrowing) / Net Investment Position	**(140.206)**	**(126.756)**

Icelandic Investment

9. In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £2.5m invested in Heritable bank, a UK subsidiary of an Icelandic bank, at that time.

10. Since 1 April 2013 further dividends of 16.7% (£420,200) have been received. This has taken the return to 94% which is 6.0% more than the impairment had allowed for. Therefore, there was a credit back to the District Development Fund in 2013/14 as the impairment was charged here in 2010/11. It is likely that a further distribution will be received in October or November 2014. There is as yet no estimate of final recovery.

Prudential Indicators

11. The Council confirmed its adoption of the CIPFA Code of Treasury Management at its Council meeting on 19 February 2013. The Code was originally adopted on 22 April 2002.

a) **Authorised Limit –** This is the maximum amount of external debt that can be outstanding at one time during the financial year.

b) **Operational Boundary –** This is set to reflect the Council's best view of the most likely prudent (i.e. not worst case) levels of borrowing activity for the financial year.

c) **Upper Limits for Interest Rate Exposure –** This allows the Council to manage the extent to which it is exposed to changes in interest rate.

d) **Maturity Structure of Fixed Rate Borrowing –** This is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

e) **Total principal sums invested for periods longer than 364 days –** This is to allow the Council to manage the risk inherent in investments longer than 364 days.

12. The table below shows the outturn against the strategy.

	2013/14 TMSS	**2013/14 Outturn**
a) Authorised limit	£200m	**185.456m**
b) Operational boundary	£188m	**185.456m**
c) Upper limits for fixed rate exposure		
- Debt	100%	**86%**
- Investment	(100%)	**(66)%**
Upper limits for variable rate exposure		
- Debt	25%	**14%**
- Investment	(75%)	**(34)%**
d) Maturity structure of fixed rate borrowing		
- Under 12 months	100%	**0%**
- 12 months to 5 years	100%	**0%**
- 5 years to 10 years	100%	**0%**
- 10 years to 20 years	100%	**0%**
- 20 years to 30 years	100%	**100%**
e) Total principal sums invested for periods longer than 364 days	£30m	**£11.3m**

13. It is possible that the Waste Procurement Contract (and others, e.g. Leisure) will benefit from the Council providing "Prudential Borrowing" to the successful contractor. The Treasury Management Strategy Statement requires amendment to permit this.

Resource Implications:
The interest rates stayed low throughout 2013/14 which resulted in the investment interest of £0.431m. The outturn was in line with revised figure.

Legal and Governance Implications:
The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2009/10);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the ODPM (now DCLG) has issued Investment Guidance to structure and regulate the Council's investment activities.
- Under section 21(1) AB of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

The Council's external Treasury advisors provided the framework for this report and have confirmed that the content satisfies all regulatory requirements.

Background Papers:

The report on the Council's Prudential Indicators for 2013/14 and the Treasury Management Strategy for 2013/14 which was approved by Council on 19 February 2013.

Risk Management:
As detailed in the appendices, a risk aware position is adopted to minimise the chance of any loss of the capital invested by the Council.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

No groups of people affected by this report which is not directly service related.

Epping Forest District Council Treasury Outturn Report 2013/14

1. Background

The Council's treasury management activity for 2013/14 was underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Council reports twice a year to the Finance and Performance Cabinet Committee and scrutiny of treasury policy, strategy and activity is delegated to the Audit and Governance Committee.

Treasury Management is defined as: "The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

This report fulfils the Authority's legal obligation under the Local Government Act 2003, to have regard to both the CIPFA Code and the CLG Investment Guidance.

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

2. External Context

Economic background: At the beginning of the 2013-14 financial year markets were concerned about lacklustre growth in the Eurozone, the UK and Japan. Lack of growth in the UK economy, the threat of a 'triple-dip' alongside falling real wages (i.e. after inflation) and the paucity of business investment were a concern for the Bank of England's Monetary Policy Committee. Only two major economies – the US and Germany – had growth above pre financial crisis levels, albeit these were still below trend. The Eurozone had navigated through a turbulent period for its disparate sovereigns and the likelihood of a near-term disorderly collapse had significantly diminished. The US government had just managed to avoid the fiscal cliff and a technical default in early 2013, only for the problem to re-emerge later in the year.

With new Governor Mark Carney at the helm, the Bank of England unveiled forward guidance in August pledging to not consider raising interest rates until the ILO unemployment rate fell below the 7% threshold. In the Bank's initial forecast, this level was only expected to be reached in 2016. Although the Bank stressed that this level was a ***threshold*** for consideration of rate increase rather an automatic trigger, markets began pricing in a much earlier rise than was warranted and, as a result, gilt yields rose aggressively.

The recovery in the UK surprised with strong economic activity and growth. Q4 2014 GDP showed year-on-year growth of 2.7%. Much of the improvement was down to the dominant service sector, and an increase in household consumption buoyed by the pick-up in housing transactions which were driven by higher consumer confidence, greater availability of credit and strengthening house prices which were partly boosted by government initiatives such as Help-to-Buy. However, business investment had yet to recover convincingly and the recovery was not accompanied by meaningful productivity growth. Worries of a housing bubble were tempered by evidence that net mortgage lending was up by only around 1% annually.

CPI fell from 2.8% in March 2013 to 1.7% in February 2014, the lowest rate since October 2009, helped largely by the easing commodity prices and discounting by retailers, reducing the pressure on the Bank to raise rates. Although the fall in unemployment (down from 7.8% in March 2013 to 7.2% in January 2014) was faster than the Bank of England or indeed many analysts had forecast, it hid a stubbornly high level of underemployment. Importantly, average earnings growth remained muted and real wage growth (i.e. after inflation) was negative. In February the Bank stepped back from forward guidance relying on a single indicator – the unemployment rate – to more complex measures which included spare capacity within the economy. The Bank also implied that when official interest rates were raised, the increases would be gradual – this helped underpin the 'low for longer' interest rate outlook despite the momentum in the economy.

The Office of Budget Responsibility's 2.7% forecast for economic growth in 2014 forecast a quicker fall in public borrowing over the next few years. However, the Chancellor resisted the temptation to spend some of the proceeds of higher economic growth. In his 2013 Autumn Statement and the 2014 Budget, apart from the rise in the personal tax allowance and pension changes, there were no significant giveaways and the coalition's austerity measures remained on track.

The Federal Reserve's then Chairman Ben Bernanke's announcement in May that the Fed's quantitative easing (QE) programme may be 'tapered' caught markets by surprise. Investors began to factor in not just an end to QE but also rapid rises in interest rates. 'Tapering' (a slowing in the rate of QE) began in December 2013. By March 2014, asset purchases had been cut from $75bn to $55bn per month with expectation that QE would end by October 2014. This had particular implications for global markets which had hitherto benefited from, and got very accustomed to, the high levels of global liquidity afforded by QE. The impact went further than a rise in the dollar and higher US treasury bond yields. Gilt yields also rose as a consequence and emerging markets, which had previously benefited as investors searched for yield through riskier asset, suffered large capital outflows in December and January.

With the Eurozone struggling to show sustainable growth, the European Central Bank cut main policy interest rates by 0.25% to 0.25% and the deposit rate to zero. Markets were disappointed by the lack of action by the ECB despite CPI inflation below 1% and a looming threat of deflation. Data pointed to an economic slowdown in China which, alongside a weakening property market and a highly leveraged shadow banking sector, could prove challenging for its authorities.

Russia's annexation of the Crimea in March heightened geopolitical tensions and risk. The response from the West which began with sanctions against Russia which is the second largest gas producer in the world and which supplies nearly 30% of European natural gas needs and is also a significant supplier of crude oil – any major disruption to their supply would have serious ramifications for energy prices.

Gilt Yields and Money Market Rates: Gilt yields ended the year higher than the start in April. The peak in yields was during autumn 2013. The biggest increase was in 5-year gilt yields which increased by nearly 1.3% from 0.70% to 1.97%. 10-year gilt yields rose by nearly 1% ending the year at 2.73%. The increase was less pronounced for longer dated gilts; 20-year yields rose from 2.74% to 3.37% and 50-year yields rose from 3.23% to 3.44%.

3-month, 6-month and 12-month Libid rates remained at levels below 1% through the year.

3. The Borrowing Requirement and Debt Management

	Balance on 01/04/2013 £m	Maturing Debt £m	Debt Prematurely Repaid £m	New Borrowing £m	Balance on 31/03/2014 £m	Avg Rate % and Avg Life (yrs)
CFR	188.684				188.779	
Short Term Borrowing[1]	0	0	0	0	0	
Long Term Borrowing	185.456	0	0	0	185.456	3% - 23.5yrs
TOTAL BORROWING	185.456	0	0	0	185.456	
Other Long Term Liabilities	0	0	0	0	0	
TOTAL EXTERNAL DEBT	185.456	0	0	0	185.456	
Increase/ (Decrease) in Borrowing £m	0	0	0	0	0	

The Authority's underlying need to borrow as measured by the Capital Financing Requirement (CFR) at 31/03/2014 was £188.779 million. Usable reserves and working capital, which are the internal resources available for investment, were £56.7m and £47.8m respectively, a total of £104.5 million.

The Authority's chief objective when borrowing money has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective. Also, given the low rates secured there are likely to be fewer opportunities to beneficially renegotiate loans.

Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continued to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.

At 1st April 2013 the Authority held £185.5 million of loans, as part of its strategy for funding Housing Self-Financing. The Council decided to borrow the full amount available under Self-Financing to provide flexibility going forward and to secure funding at very low interest rates.

The Council expects it will need to borrow £10 to 20 million for General Fund capital purposes within the next few years. The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Authority with this "cost of carry" analysis.

Total borrowing at 31st March 2014 was £185.5 million.

[1] Loans with maturities less than 1 year.

4. Investment Activity

Both the CIPFA and the CLG's Investment Guidance require the Authority to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield.

Investment Counterparty	Balance on 01/04/2013 £m	Investments Made £m	Maturities/ Investments Sold £m	Balance on 31/03/2014 £m	Avg Rate % and Avg Life (yrs)
UK Local Authorities - Long-term	10.0	0	0	10.0	1.15% 919 days
Banks and building societies and other organisations - Short-term	30.3	107.5	94.1	43.7	0.63% 187 days
AAA-rated Money Market Funds	5.0	20.0	20.0	5.0	0.36%
TOTAL INVESTMENTS	45.3	127.5	114.1	58.7	
Increase/ (Decrease) in Investments £m				13.4	

Security of capital remained the Authority's main investment objective. This was maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2013/14 which defined "high credit quality" organisations as those having a long-term credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher.

Investments with banks and building societies were primarily call accounts, and fixed-rate term deposits. The maximum duration of these investments was 364 days in line with the prevailing credit outlook during the year as well as market conditions.

Credit developments and credit risk management

The Authority assessed and monitored counterparty credit quality with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP and share price. The minimum long-term counterparty credit rating determined by the Authority for the 2013/14 treasury strategy was A- across rating agencies Fitch, S&P and Moody's.

The debt crisis in Cyprus was resolved by its government enforcing a 'haircut' on unsecured investments and bank deposits over €100,000. This resolution mechanism, in stark contrast to the bail-outs during the 2008/2009 financial crisis, sent shockwaves through Europe but allowed banking regulators to progress reform which would in future force losses on investors through a 'bail-in' before taxpayers were asked to support failing banks.

The Financial Services (Banking Reform) Act 2013 gained Royal Assent in December, legislating for the separation of retail and investment banks and for the introduction of mandatory bail-in in the UK to wind up or restructure failing financial institutions. EU finance ministers agreed further steps towards banking union, and the Single Resolution Mechanism (SRM) for resolving problems with troubled large banks which will shift the burden of future restructurings/rescues to the institution's shareholders, bondholders and unsecured investors.

Proposals were also announced for EU regulatory reforms to Money Market Funds which may result in these funds moving to a VNAV (variable net asset value) basis and losing their 'triple-A' credit rating wrapper in the future.

The material changes to UK banks' creditworthiness were (a) the strong progress made by the Lloyds Banking Group in strengthening its balance sheet, profitability and funding positions and the government reducing its shareholding in the Group to under 25%, (b) the announcement by Royal Bank of Scotland of the creation of an internal bad bank to house its riskiest assets (this amounted to a material extension of RBS' long-running restructuring, further delaying the bank's return to profitability) and (c) substantial losses at Co-op Bank which forced the bank to undertake a liability management exercise to raise further capital and a debt restructure which entailed junior bondholders being bailed-in as part of the restructuring.

In July Moody's placed the A3 long-term ratings of Royal Bank of Scotland and NatWest Bank and the D+ standalone financial strength rating of RBS on review for downgrade amid concerns about the impact of any potential breakup of the bank on creditors. As a precautionary measure the Authority reduced its duration to overnight for new investments with the bank(s). In March Moody's downgraded the long-term ratings of both banks to Baa1. As this rating is below the Authority's minimum credit criterion of A- (or 7), the banks were withdrawn from the counterparty list for further investment. RBS/NatWest is the Council's banker and will continue to be used for operational and liquidity purposes.

The Co-op's long-term ratings were downgraded by Moody's and Fitch to Caa1 and B respectively, both sub-investment grade ratings. The Co-op Bank's capital raising plans to plug a capital shortfall include a contribution from the Co-op Group which is committed to injecting £313m in 2014 of which £50m has been paid initially. However, in order to cover future expected losses and to meet the Prudential Regulation Authority's capital targets, a further £400m is being sought from shareholders, of which Co-operative Group's share is approximately £120m. Given the Co-op Group's own financial position, payment of these sums is by no means certain, leaving the bank with a precarious capital position.

The Authority's counterparty credit quality has been maintained as demonstrated by the Credit Score Analysis summarised below[2]. The table in Appendix 3 Table 7 explains the credit score. A- or 7 is the minimum.

Credit Score Analysis 2013/14

Date	Value Weighted Average Credit Risk Score	Value Weighted Average Credit Rating	Time Weighted Average Credit Risk Score	Time Weighted Average Credit Rating	Average Life (days)
31/03/2013	A+	5.27	AA	2.71	233
30/06/2013	A+	5.23	AA	3.50	227
30/09/2013	A+	4.96	AA	2.95	255
31/12/2013	A+	5.08	AA-	3.90	193
31/03/2014	A+	5.16	AA-	3.95	179

2 *Please refer to Arlingclose's quarterly credit risk benchmarking spreadsheets for your Authority's credit scores*

Liquidity Management

In keeping with the CLG's Guidance on Investments, the Authority maintained a sufficient level of liquidity averaging £19m through the use of Money Market Funds/overnight deposits/call accounts. The Authority uses its own cash flow forecasting method to determine the maximum period for which funds may prudently be committed.

Yield

The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained at very low levels (as shown in table 1 in Appendix 3) which continued to have a significant impact on investment income. The average 3-month LIBID rate during 2013/14 was 0.45%, the 6-month LIBID rate averaged 0.53% and the 1-year LIBID rate averaged 0.78%. The low rates of return on the Authority's short-dated money market investments reflect prevailing market conditions and the Authority's objective of optimising returns commensurate with the principles of security and liquidity.

Income earned on £10m of longer-dated investments made in 2012/13 at an average rate of 1.15% provided some cushion against the low interest rate environment.

The funds' performance and continued suitability in meeting the Authority's investment objectives are monitored regularly.

The Authority's budgeted investment income for the year had been estimated at £0.428m. The average cash balances representing the Authority's Usable reserves, working capital, were respectively £56.7m and £47.8m during the period, and interest earned was £0.431m.

Update on Investments with Icelandic Banks

Heritable – The authority has now recovered 94% of its investments in Heritable Bank. It is likely that further distributions will be received in October or November 2014, although the administrators have not made any further estimate of final recoveries yet.

CIPFA issued further guidance on the accounting treatment surrounding these transactions in September 2013 when LAAP 82 (update 8) was issued. CIPFA have no plans to issue any additional updates.

5. Compliance

The Authority confirms that it has complied with its **Prudential Indicators** for 2013/14, which were approved on 19th February 2013 as part of the Authority's Treasury Management Strategy Statement. Details can be found in Appendix 2.

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2013/14. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

The Authority also confirms that during 2013/14 it complied with its **Treasury Management Policy Statement** and **Treasury Management Practices**.

6. Other Items

Investment Training: The needs of the Authority's Treasury Management staff for training in investment management are assessed every month as part of the Treasury Management function and in the staff appraisal process (PDR's), and additionally when the responsibilities of individual members of staff change.

During 2013/14 staff attended training courses, seminars and conferences provided by Arlingclose and CIPFA. No relevant staff are studying professional qualifications but 5 of the staff involved in Treasury Management are qualified accountants.

Appendix 1 : Debt and Investment Portfolio Position 31/3/2014

	31/3/2014 Actual Portfolio £m	31/3/2014 Average Rate %
External Borrowing:		
PWLB - Fixed Rate	**153.656**	**3.48**
PWLB - Variable Rate	**31.8**	**0.62**
Total External Borrowing	**185.456**	
Total Gross External Debt	185.456	
Investments:		
Managed in-house		
Short-term investments	48.736	0.46
Long-term investments	10.0	1.15
Total Investments	58.736	
Net Debt	126.72	

Appendix 2

(a) Capital Financing Requirement (CFR)

Estimates of the Authority's cumulative maximum external borrowing requirement for 2013/14 to 2015/16 are shown in the table below:

Increased GF borrowing assumed, but delayed.

Capital Financing Requirement	31/03/2014 Approved £m	31/03/2014 Revised £m	**31/03/2014 Actual £m**	31/03/2015 Estimate £m	31/03/16 Estimate £m
General Fund	38.6	**38.6**	**43.2**	48.6	63.6
HRA	155.1	**155.1**	**145.6**	155.1	155.1
Total CFR	**193.7**	**193.7**	**188.8**	**203.7**	**218.7**

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31/03/2014 Approved £m	31/03/2014 Revised £m	**31/03/2014 Actual £m**	31/03/2015 Estimate £m	31/03/16 Estimate £m
Borrowing	185.456	**185.456**	185.456	205.0	220.0
Total Debt	**185.456**	**185.456**	185.456	205.0	220.0
Borrowing in excess of CFR?			No		

(b) Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Authority's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

The Authorised Limit for External Debt is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

The Director of Resources confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2013/14; borrowing at its peak was £185.456m.

	Operational Boundary (Approved) 31/03/2014 £m	Authorised Limit (Approved) 31/03/2014 £m	**Actual External Debt 31/03/2014 £m**
Borrowing	188.0	200.0	185.456
External Debt	188.0	200.0	185.456

(c) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed.

	Approved Limits for 2013/14 Proportion %	Maximum during 2013/14 Proportion %
Upper Limit for Fixed Rate Exposure	100	86
Compliance with Limits:		Yes
Upper Limit for Variable Rate Exposure	25	14
Compliance with Limits:		Yes

(d) Maturity Structure of Fixed Rate Borrowing

This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

Maturity Structure of Fixed Rate Borrowing	Upper Limit %	Lower Limit %	**Actual Fixed Rate Borrowing at 31/03/2014 £m**	% Fixed Rate Borrowing at 31/03/2014	Compliance with Set Limits?
under 12 months	100	0	**0**	0	Yes
12 months and within 24 months	100	0	**0**	0	Yes
24 months and within 5 years	100	0	**0**	0	Yes
5 years and within 10 years	100	0	**0**	0	Yes
10 years and within 20 years	100	0	**0**	0	Yes
20 years and within 30 years	100	0	**153.656**	100	Yes
30 years and within 40 years	100	0	**0**	0	Yes
40 years and within 50 years	100	0	**0**	0	Yes
50 years and above	100	0	**0**	0	Yes

(e) Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Authority tax and in the case of the HRA, housing rent levels.

Capital Expenditure	31/03/2014 Approved £m	31/03/2014 Revised £m	**31/03/2014 Actual £m**	31/03/2015 Estimate £m	31/03/16 Estimate £m
Non-HRA	4.326	4.555	2.331	8.629	1.417
HRA	13.918	11.130	10.675	17.823	15.49
Total	**18.244**	**15.685**	**13.006**	**26.452**	**16.907**

Capital expenditure has been and will be financed or funded as follows:

Capital Financing	31/03/2014 Approved £m	31/03/2014 Revised £m	**31/03/2014 Actual £m**	31/03/2015 Estimate £m	31/03/16 Estimate £m
Capital receipts	4.398	3.402	1.644	**7.895**	**2.040**
Government Grants	0.937	1.254	0.994	**2.346**	**0.549**
Major Repairs Allowance	8.709	6.679	6.145	**10.511**	**8.618**
Revenue contributions	4.200	4.350	4.223	**5.700**	**5.700**
Total Financing	18.244	15.685	13.006	**26.452**	**16.907**
Supported borrowing	0	0	0	**0**	**0**
Unsupported borrowing	0	0	0	**0**	**0**
Total Funding	0	0	0	**0**	**0**
Total Financing and Funding	**18.244**	**15.685**	**13.006**	**26.452**	**16.907**

(f) Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	31/03/2014 Approved %	**31/03/2014 Actual %**	31/03/2015 Estimate %	31/03/16 Estimate %
Non-HRA	-3.28	**-0.39**	-0.05	-0.06
HRA	16.97	**16.47**	16.05	15.81

(g) Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Authority adopted the principles of best practice.

The Authority adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 in 22 April 2002.

(h) Upper Limit for Total Principal Sums Invested Over 364 Days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Authority having to seek early repayment of the sums invested.

	31/03/2014 Approved £m	31/03/2014 Revised £m	**31/03/2014 Actual £m**	31/03/2015 Estimate £m	31/03/16 Estimate £m
	30	**30**	**11.3**	**30**	**30**

(i) HRA Limit on Indebtedness (England Only)

HRA Debt Cap (as prescribed by CLG)	£ 185.457m				
	31/03/2014 Approved £m	31/03/2014 Revised £m	**31/03/2014 Actual £m**	31/03/2015 Estimate £m	31/03/16 Estimate £m
HRA CFR	155.1	155.1	**145.6**	155.1	155.1
Difference	30.357	30.357	**39.857**	30.357	30.357

(j) Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the potential impact if funded through Council Tax / Rents, not what the actual impact will be of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental Impact of Capital Investment Decisions	**2013/14 Estimate £**	**2013/14 Actual £**	**2014/15 Estimate £**	**2015/16 Estimate £**
Increase in Band D Council Tax	2.69	-0.75	-0.45	-0.28
Increase in Average Weekly Housing Rents	-2.84	-0.05	-0.48	0.02

Appendix 3

The average, low and high rates correspond to the rates during the financial year rather than only those in the tables below

Table 1: Bank Rate, Money Market Rates

Date		**Bank Rate**		**O/N LIBID**	**7-day LIBID**	**1-month LIBID**	**3-month LIBID**	**6-month LIBID**	**12-month LIBID**	**2-yr SWAP Bid**	**3-yr SWAP Bid**	**5-yr SWAP Bid**
01/04/2013		0.50		0.40	0.50	0.40	0.44	0.51	0.75	0.59	0.68	0.97
30/04/2013		0.50		0.50	0.47	0.40	0.44	0.51	0.75	0.57	0.64	0.91
31/05/2013		0.50		0.38	0.42	0.40	0.44	0.51	0.75	0.68	0.82	1.15
30/06/2013		0.50		0.43	0.38	0.40	0.44	0.51	0.75	0.78	0.99	1.52
31/07/2013		0.50		0.42	0.50	0.40	0.44	0.51	0.75	0.68	0.86	1.39
31/08/2013		0.50		0.43	0.41	0.41	0.44	0.51	0.76	0.81	1.10	1.71
30/09/2013		0.50		0.38	0.38	0.41	0.44	0.51	0.76	0.83	1.12	1.73
31/10/2013		0.50		0.38	0.38	0.42	0.45	0.53	0.80	0.79	1.07	1.66
30/11/2013		0.50		0.38	0.36	0.42	0.45	0.54	0.81	0.80	1.11	1.76
31/12/2013		0.50		0.35	0.35	0.42	0.45	0.54	0.81	1.00	1.43	2.13
31/01/2014		0.50		0.36	0.41	0.42	0.45	0.55	0.82	0.94	1.34	1.95
28/02/2014		0.50		0.36	0.40	0.42	0.45	0.60	0.83	0.98	1.34	1.95
31/03/2014		0.50		0.35	0.39	0.42	0.46	0.56	0.84	1.05	1.45	2.03
Minimum		0.50		0.30	0.35	0.40	0.44	0.51	0.75	0.55	0.62	0.87
Average		**0.50**		0.40	0.41	0.41	0.45	0.53	0.78	0.81	1.08	1.63
Maximum		0.50		0.50	0.50	0.45	0.53	0.65	0.84	1.05	1.47	2.17
Spread		--		0.20	0.15	0.05	0.09	0.14	0.09	0.5	0.85	1.29

Table 2: PWLB Borrowing Rates - Fixed Rate, Maturity Loans (Standard Rate)

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
02/04/2013	125/13	1.11	1.74	2.83	3.87	4.18	4.25	4.22
30/04/2013	166/13	1.16	1.72	2.72	3.74	4.06	4.13	4.08
31/05/2013	208/13	1.26	1.97	3.03	3.99	4.29	4.36	4.33
30/06/2013	248/13	1.22	2.34	3.49	4.30	4.52	4.56	4.54
31/07/2013	293/13	1.21	2.22	3.43	4.29	4.50	4.52	4.50
31/08/2013	335/13	1.28	2.53	3.74	4.43	4.54	4.54	4.53
30/09/2013	377/13	1.30	2.50	3.66	4.36	4.49	4.50	4.48
31/10/2013	423/13	1.29	2.43	3.55	4.27	4.42	4.42	4.40
30/11/2013	465/13	1.34	2.60	3.78	4.47	4.57	4.55	4.53
31/12/2013	503/13	1.38	2.96	4.08	4.60	4.64	4.61	4.59
31/01/2014	044/14	1.36	2.75	3.77	4.39	4.49	4.45	4.43
28/02/2014	084/14	1.37	2.76	3.78	4.39	4.49	4.47	4.45
31/03/2014	126/14	1.46	2.87	3.84	4.43	4.53	4.51	4.49
	Low	1.11	1.70	2.71	3.71	4.02	4.08	4.04
	Average	1.30	2.46	3.58	4.32	4.48	4.49	4.46
	High	1.46	3.00	4.11	4.63	4.71	4.72	4.71

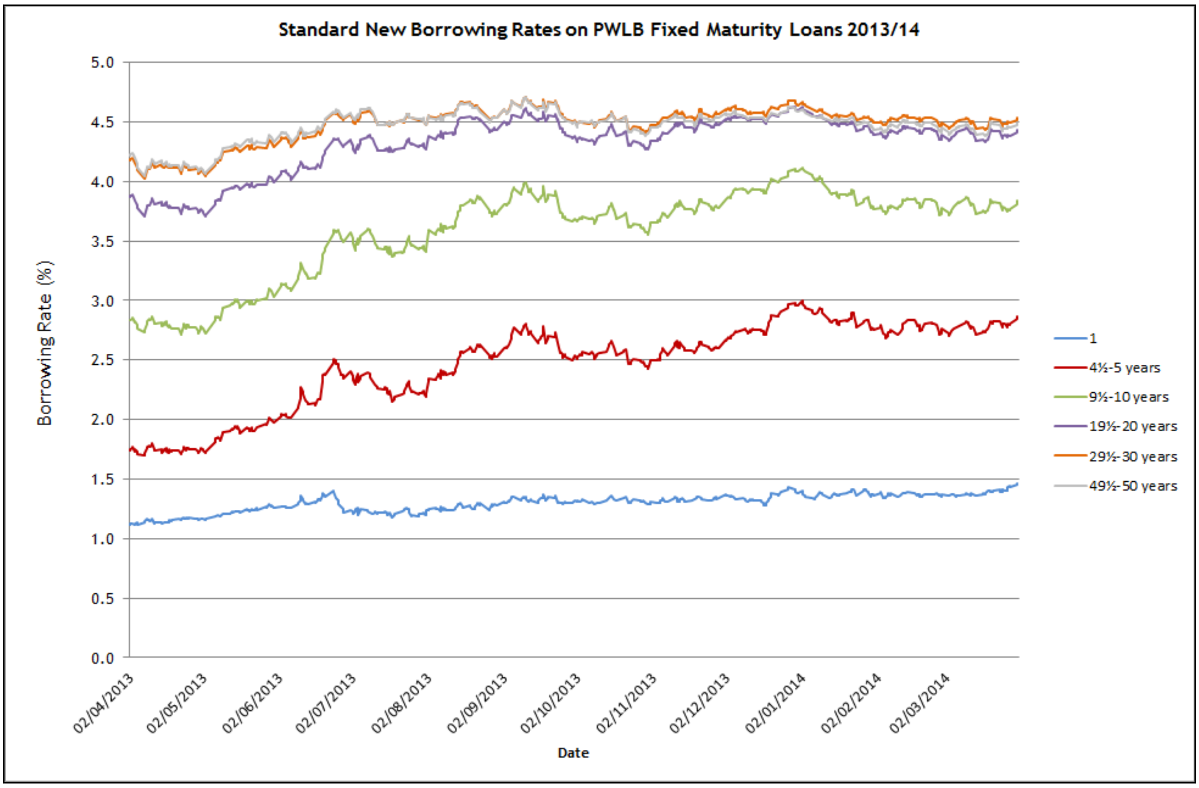

Table 3: PWLB Repayment Rates - Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
02/04/2013	125/13	0.02	0.51	1.62	2.72	3.05	3.13	3.09
30/04/2013	166/13	0.04	0.49	1.52	2.59	2.94	3.01	2.96
31/05/2013	208/13	0.14	0.73	1.82	2.84	3.16	3.24	3.21
30/06/2013	248/13	0.10	1.07	2.29	3.16	3.39	3.44	3.42
31/07/2013	293/12	0.09	0.95	2.22	3.16	3.37	3.40	3.38
31/08/2013	335/12	0.16	1.25	2.53	3.30	3.42	3.42	3.41
30/09/2013	377/12	0.18	1.23	2.46	3.23	3.37	3.38	3.36
31/10/2013	423/13	0.17	1.16	2.36	3.14	3.30	3.30	3.28
30/11/2013	465/13	0.22	1.31	2.58	3.34	3.45	3.43	3.41
31/12/2013	503/13	0.26	1.67	2.89	3.47	3.52	3.49	3.47
31/01/2014	044/13	0.24	1.47	2.58	3.26	3.37	3.33	3.31
28/02/2014	084/14	0.25	1.49	2.60	3.26	3.37	3.35	3.33
31/03/2014	126/13	0.34	1.60	2.65	3.29	3.41	3.39	3.37
	Low	0.02	0.48	1.51	2.56	2.89	2.96	2.92
	Average	0.18	1.19	2.38	3.18	3.35	3.36	3.34
	High	0.34	1.70	2.92	3.50	3.59	3.60	3.59

Table 4: PWLB Borrowing Rates - Fixed Rate, EIP Loans (Standard Rate)

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
02/04/2013	125/13	1.30	1.80	2.87	3.52	3.88	4.08
30/04/2013	166/13	1.31	1.77	2.76	3.39	3.75	3.96
31/05/2013	208/13	1.49	2.02	3.07	3.67	4.00	4.19
30/06/2013	248/13	1.66	2.41	3.53	4.05	4.30	4.45
31/07/2013	293/13	1.58	2.29	3.47	4.04	4.30	4.44
31/08/2013	335/13	1.78	2.61	3.77	4.26	4.44	4.51
30/09/2013	377/13	1.79	2.58	3.69	4.17	4.37	4.45
31/10/2013	423/13	1.74	2.51	3.59	4.07	4.28	4.38
30/11/2013	465/13	1.84	2.67	3.81	4.29	4.48	4.55
31/12/2013	503/13	2.10	3.04	4.11	4.48	4.60	4.64
31/01/2014	044/14	1.98	2.82	3.80	4.21	4.40	4.47
28/02/2014	084/14	2.00	2.84	3.81	4.21	4.40	4.47
31/03/2014	126/14	2.11	2.94	3.87	4.26	4.43	4.51
	Low	1.29	1.76	2.75	3.37	3.72	3.91
	Average	**1.77**	**2.53**	**3.61**	**4.10**	**4.32**	**4.43**
	High	2.13	3.08	4.14	4.51	4.63	4.69

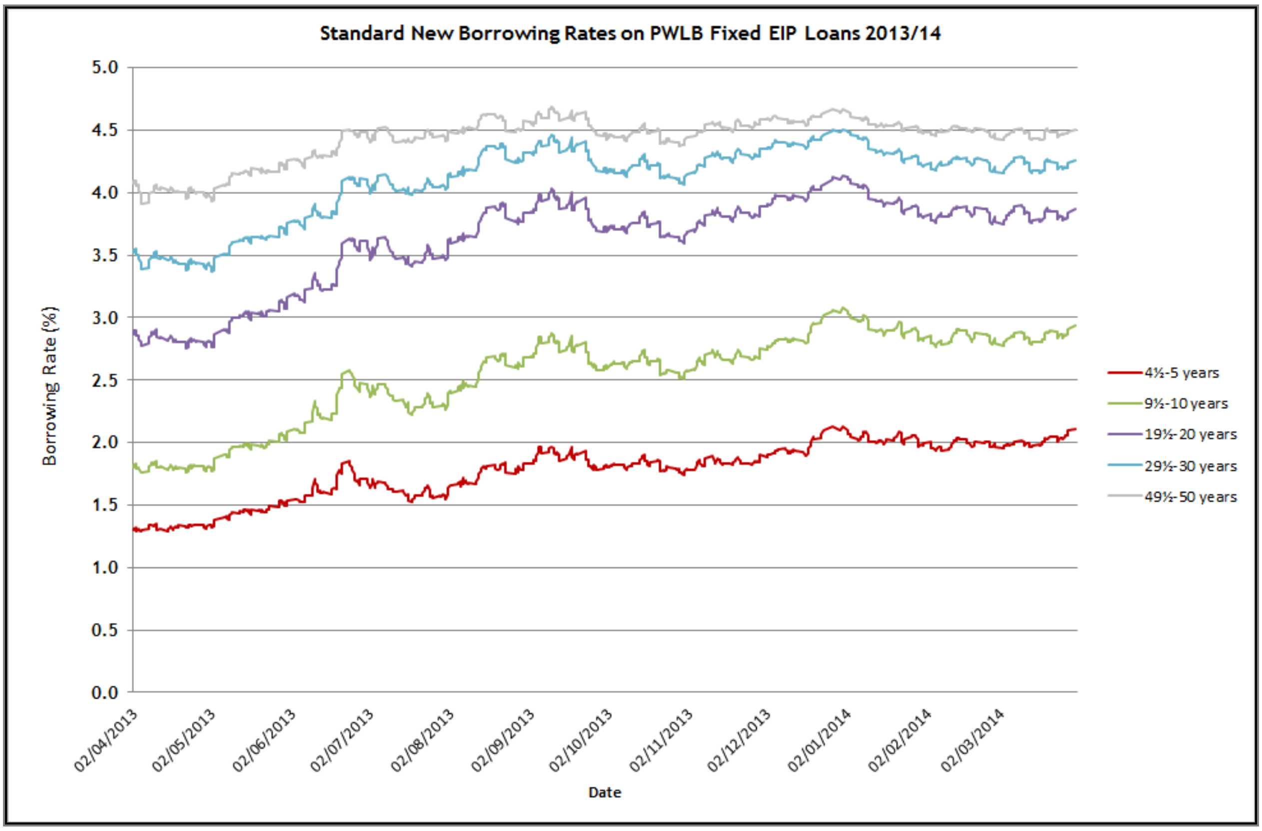

Table 5: PWLB Repayment Rates - Fixed Rate, EIP Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
02/04/2013	125/13	0.14	0.62	1.71	2.38	2.75	2.95
30/04/2013	166/13	0.16	0.60	1.60	2.25	2.62	2.83
31/05/2013	208/13	0.33	0.85	1.91	2.53	2.87	3.06
30/06/2013	248/13	0.47	1.22	2.37	2.91	3.18	3.32
31/07/2013	293/13	0.39	1.10	2.31	2.90	3.17	3.31
31/08/2013	335/13	0.58	1.41	2.62	3.12	3.31	3.39
30/09/2013	377/13	0.59	1.38	2.54	3.04	3.24	3.33
31/10/2013	423/13	0.55	1.31	2.43	2.94	3.15	3.26
30/11/2013	465/13	0.64	1.48	2.66	3.15	3.35	3.43
31/12/2013	503/13	0.87	1.84	2.96	3.35	3.48	3.52
31/01/2014	044/14	0.77	1.63	2.65	3.08	3.27	3.35
28/02/2014	084/14	0.78	1.64	2.66	3.08	3.27	3.35
31/03/2014	126/14	0.90	1.75	2.72	3.12	3.31	3.39
	Low	0.13	0.58	1.59	2.23	2.59	2.79
	Average	0.58	1.34	2.46	2.97	3.20	3.31
	High	0.90	1.88	2.99	3.38	3.51	3.56

Table 6: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR			Post-CSR (Standard Rate)		
02/04/2013	0.5700	0.5600	0.5500	1.4700	1.4600	1.4500
28/06/2013	0.5600	0.5600	0.5600	1.4600	1.4600	1.4600
30/09/2013	0.5700	0.5700	0.5700	1.4700	1.4700	1.4700
31/12/2013	0.5700	0.5700	0.5700	1.4700	1.4700	1.4700
31/03/2014	0.5500	0.5600	0.5700	1.4500	1.4600	1.4700
Low	0.5500	0.5500	0.5400	1.4500	1.4500	1.4400
Average	0.5653	0.5641	0.5630	1.4653	1.4641	1.4630
High	0.5800	0.5700	0.5800	1.4700	1.4700	1.4800

Table 7: Credit Score Analysis

Scoring:

Long-Term Credit Rating	Score
AAA	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10

The value weighted average reflects the credit quality of investments according to the size of the deposit. The time weighted average reflects the credit quality of investments according to the maturity of the deposit

The Authority aimed to achieve a score of 7 or lower, to reflect the Authority's overriding priority of security of monies invested and the minimum credit rating of threshold of A- for investment counterparties.

Report to the Finance Performance Management Cabinet Committee

Epping Forest District Council

Report reference: FPM-008-2014/15
Date of meeting: 18 September 2014

Portfolio: Finance

Subject: Quarterly Financial Monitoring

Responsible Officer: Peter Maddock (01992 564602).

Democratic Services: Rebecca Perrin (01992 564532).

Recommendations/Decisions Required:

That the Committee note the revenue and capital financial monitoring report for the first quarter of 2014/15;

Executive Summary:

The report provides a comparison between the original estimate for the period ended 30 June 2014 and the actual expenditure or income as applicable.

Reasons for Proposed Decision:

To note the first quarter financial monitoring report for 2014/15.

Other Options for Action:

No other options available.

Report:

1. The Committee has within its terms of reference to consider financial monitoring reports on key areas of income and expenditure. This is the first quarterly report for 2014/15 and covers the period from 1 April 2014 to 30 June 2014. The reports are presented based on which directorate is responsible for delivering the services to which the budgets relate.

2. Salaries monitoring data is presented as well as it represents a large proportion of the authorities expenditure and is an area where historically large under spends have been seen.

Revenue Budgets (Annex 1 – 6)

3. Comments are provided on the monitoring schedules but a few points are highlighted here as they are of particular significance. The salaries schedule (Annex 1) shows an underspend of £103,000 or 2.0%. This is in line with this time last year.

4. All Directorates are either in line with the budget or underspent for example expenditure and budget for Resources is £1,384,000 giving a zero variance. Neighbourhoods is showing the largest underspend and is due to vacancies within Forward Planning,

Communities is showing an underspend which is primarily related to the Housing Revenue Account (HRA) and the underspend on Governance relates to the Estates division.

5. Investment interest levels in 2014/15 are slightly above expectations at quarter 1, due to an increase in surplus cash available for investment. Despite a lot of media coverage there is still no clear indication when rates might improve though an upward movement albeit small seems a possibility during 2015/16.

6. With regard to the return of monies from the Heritable Bank, 94% has been received so far with an indication that the remainder will be repaid during the autumn. There was always a feeling that the actions taken by the Government at the time of the Icelandic bank crisis were overzealous with regard to the Heritable Bank, and the expected outcome supports this.

7. Development Control income at Month 3 is going particularly well fees and charges are £53,000 higher than the budget to date and pre-application charges are £18,000 higher. July was also a good month. As usual the budgets will be revisited during the autumn when an assessment will need to be made of how much of this additional income should be treated as CSB and how much as DDF.

8. Building Control income was on budget at the end of June as was expenditure. The final position at the end of 2013/14 was rather better than expected and in fact the deficit was only £1,000 in the end meaning the account is still in overall surplus to the tune of £20,000. Income in July fell short of the budget so the account will need to be kept under review.

9. Hackney Carriage and other licensing income are both above expectations by £9,000 and £1,000 respectively. There has been some additional income this year due to changes to the Licencing regime.

10. Income from MOT's carried out by Fleet Operations is £4,000 above expectations. Overall a deficit of £29,000 is predicted for 2014/15 and it is a little early to say whether or not this is likely to improve. The future of the service is currently under review and a report is due to be made to Cabinet shortly on the outcome of this.

11. Local Land Charge income is £17,000 above expectations at the end of June with a further improvement in July. There is still significant uncertainty surrounding the future for charging for these services which may or may not be resolved during the financial year.

12. The Housing Repairs Fund shows an underspend of £240,000. However a larger than average proportion of the expenditure is seasonal, falling in the winter months.

13. Payments to the Waste Management contractor are now back in line with expectations however the payments to the Leisure Management contractor are a month behind. The frequency of billing can be a little haphazard at times and whilst budget payments are profiled one month in arrears this is not always what actually happens.

14. Compared to this time last year income streams are holding up well and in the case of Development Control, positively buoyant. An analysis of income levels and whether any of the increases are expected to be sustained will be carried out during the current budget cycle to see whether some of the additional income can be included in the CSB. One note of caution also needs to be expressed here though as the number of traders using the North Weald Market is still in decline. The Director of Neighbourhoods is liaising with the market operator to consider ways of promoting the market.

15. Expenditure is generally lower in the first quarter than other quarters so it is no surprise that a number of areas are showing underspends. The budgets are being revisited and where appropriate will be revised in line with expectations.

Business Rates

16. This is the second year of operation for the Business Rates Retention Scheme whereby a proportion of rates collected are retained by the Council.

17. There are two aspects to the monitoring, firstly changes in the rating list and secondly the collection of cash. Changes in the rating list are important as with local retention the overall funds available to authorities will increase or decrease as the total value of the list increases or decreases. The NNDR1 form set out the non-domestic rate estimates for the year and started with a gross yield of £40,972,136 which was then reduced by the various reliefs for charities and small businesses and an allowance for appeals to get to a net rate yield of £33,766,634. At the end of June the net rate yield had increased by £101,700 and as the Council retains 40% of gains and losses this would mean an increase in funding of £40,680. However given that a number of claims for small business rates and other reliefs are being received this could easily reverse. Also the government will reimburse the General Fund in part for these losses.

18. Cash collection is important as the Council is required to make payments to the Government and other authorities based on their share of the rating list. These payments are fixed and have to be made even if no money is collected. Therefore, effective collection is important as this can generate a cash flow advantage to the Council. If collection rates are low the Council is left to finance these payments from working capital and so has to reduce investment balances. At the end of June the total collected was £10,466,111 and payments out were £8,101,500 meaning the Council was holding £2,364,611 of cash and so the Council's overall cash position was benefitting from the effective collection of non-domestic rates.

19. In summary, at the end of June the increase in the overall value of the rating list is welcome but may not be sustained, and cash collection is going well.

Capital Budgets (Annex 7 - 12)

20. Tables for capital expenditure monitoring purposes (annex 7 -12) are included for the three months to 30 June. There is a commentary on each item highlighting the scheme progress.

21. The full year budget for comparison purposes is the original budget updated for budgets carried forward from 2013/14 as part of the Provisional Outturn Report considered at the July meeting.

Major Capital Schemes (Annex 13)

22. There are two projects included on the Major Capital Schemes schedule these relate to the Museum redevelopment and House Building package 1. Annex 13 gives more detail.

Conclusion

23. With regard to revenue, income is up on expectations and expenditure down. The increased income levels are very much welcome, and appear to provide some evidence of the economic recovery. Expenditure being below budget is not surprising this early in the year, particularly given the ongoing re-organisation of activities.

24. The Committee is asked to note the position on both revenue and capital budgets as at the end of the first quarter of the financial year.

Resource Implications:

There is no evidence at this stage to suggest that the net budget set will not be met and in fact things look a little more positive than at this stage last year. The budget will be revised over the next few months incorporating increased income levels if they appear to be sustained.

Legal and Governance Implications:

Reporting on variances between budgets and actual spend is recognised as good practice and is a key element of the Council's Governance Framework.

Safer, Cleaner and Greener Implications:

The Council's budgets contain spending in relation to this initiative.

Consultation Undertaken:

This report will also be presented to the Finance Scrutiny Panel on 9 September and an oral update will be provided to cover any additional comments or information.

Background Papers:

Various budget variance working papers held in Accountancy.

Risk Management:

These reports are a key part in managing the financial risks faced by the Council. In the current climate the level of risk is increasing. Prompt reporting and the subsequent preparation of action plans in Cabinet reports should help mitigate these risks.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	**Summary of equality analysis**
5/09/14 Director of Resources	The report is to monitor current trends in spending and income. It does not propose any change to the use of resources and so has no equalities implications.

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2014/15 DIRECTORATE FINANCIAL MONITORING
JUNE 2014 - SALARIES

	2014/15			2013/14		
DIRECTORATE	**EXPENDITURE TO 30/06/14 £000**	**BUDGET PROVISION (ORIGINAL) £000**	**VARIATION FROM BUDGET (ORIGINAL) %**	**EXPENDITURE TO 30/06/13 £000**	**BUDGET PROVISION (ORIGINAL) £000**	**VARIATION FROM BUDGET (ORIGINAL) %**
CHIEF EXECUTIVE	62	64	-3.1	63	62	1.6
RESOURCES *	1,384	1,384	0.0	1,336	1,335	0.1
GOVERNANCE	831	854	-2.7	803	814	-1.4
NEIGHBOURHOODS *	1,015	1,059	-4.2	1,018	1,056	-3.6
COMMUNITIES *	1,761	1,795	-1.9	1,643	1,693	-3.0
TOTAL	**5,053**	**5,156**	**-2.0**	**4,863**	**4,960**	**-2.0**

* Agency costs are included in the salaries expenditure.

Please note a vacancy allowance of 1.50% has been deducted in all directorate budget provisions.

2014/15 DIRECTORATE FINANCIAL MONITORING - COMMUNITIES

	14/15 Full Year Budget	First Quarter 14/15 Budget	First Quarter 14/15 Actual	First Quarter 13/14 Actual	14/15 Variance Budget v Actual		Comments
	£'000	£'000	£'000	£'000	£'000	%	
Major expenditure items:							
Museum	52	20	22	23	2	10	No major variances.
Bed & Breakfast Accommodation	95	16	15	15	-1	-6	No major variances
Grants to Voluntary Groups	132	24	24	26	0	0	No major variances.
Voluntary Sector Support	170	76	0	77	-76	-100	Due to the later elections this year and the appointment of a new portfolio holder the first instalments will not be released until August 2014.
	449	136	61	140			
Major income items:							
Bed & Breakfast Accommodation	107	27	27	22	0	0	No major variances.
	107	27	27	217			

2014/15 DIRECTORATE FINANCIAL MONITORING - GOVERNANCE

	14/15 Full Year Budget	First Quarter 14/15 Budget	First Quarter 14/15 Actual	13/14 Actual	14/15 Variance Budget v Actual		Comments
	£'000	£'000	£'000	£'000	£'000	%	
Major income items:							
Industrial Estates	1,147	537	518	506	-19	-4	Rents from the Industrial units are slightly below expectations due to a number of units being vacant at the Oakwood Hill Workshop Units and an increased number of voids affecting the Langston Road Seedbed Centre income.
Business Premises - Shops	1,865	932	1,054	921	122	13	This income relates to non housing assets which include shops, doctors surgeries, a petrol station and public houses. Income is above the profiled budget and the previous year actual due to a significant rent review having been agreed for one tenant. The actual also includes rents billed in advance for the second quarter.
Land & Property	166	28	27	23	-1	-4	Commission is received from the David Lloyd Centre based on their turnover. Income relating to 2014/15 will be accounted for at the end of the year, but received during the initial part of 2015/16. Income received from land and property in the first quarter of 2014/15 is on target with the profiled budget and slightly above the previous year actual.
	3,178	1,497	1,599	1,450			

2014/15 DIRECTORATE FINANCIAL MONITORING - GOVERNANCE

	14/15 Full Year Budget	First Quarter 14/15 Budget	First Quarter 14/15 Actual	First Quarter 13/14 Actual	14/15 Variance Budget v Actual		Comments
	£'000	£'000	£'000	£'000	£'000	%	
Major income items							
Development Control	555	136	207	128	71	52	Development Control fees, which are profiled on the average of the previous three years, are higher in the first quarter of this year than the previous year due to the up-turn in the economy after a few years now of developer caution. Pre-application fee income is at £28,000 which is higher than the full year expected budget of £10,000. This is due to the extension in the range of development types by which a fee for pre-planning application advice can be charged.
Building Control Fee Earning	386	108	108	94	0	0	Building Control fees are in line with the profiled budget and slightly higher than the previous year.
Local Land Charges	195	50	68	51	18	37	Local Land Charge income is higher than that in the budget to date and the previous year actual. There has been additional income from searches carried out by the Council due to the improvement in the housing market.
	1,136	294	383	273			

2014/15 DIRECTORATE FINANCIAL MONITORING - NEIGHBOURHOODS

	14/15 Full Year Budget	First Quarter 14/15 Budget	First Quarter 14/15 Actual	13/14 Actual	14/15 Variance Budget v Actual		Comments
	£'000	£'000	£'000	£'000	£'000	%	
Major expenditure items:							
Refuse Collection	1,445	135	124	114	-11	-8	The main variance relates to expenditure on publicity being lower than expected.
Street Cleansing	1,363	114	117	116	3	3	No major variances
Recycling	3,208	302	330	305	28	9	Additional food and garden waste has been collected in April accounting for most of the variance.
Highways General Fund	380	27	17	20	-10	-37	A number of minor under-spends account for the variance the largest of which relates to street naming and numbering
Off Street Parking	466	220	213	195	-7	-3	A successful NDR appeal accounts for the under-spend.
North Weald Centre	208	73	55	75	-18	-25	Due to their nature, timing differences arise on Other Maintenance and Electricity headings. In the previous year there was a larger amount of spend on runway maintenance at this stage.
Land Drainage & Contaminated Land	186	13	6	15	-7	-54	Works are lower than expected in the first quarter of the year due in the main to a disputed invoice.
	7,256	884	862	840			

2014/15 DIRECTORATE FINANCIAL MONITORING - NEIGHBOURHOODS

	14/15 Full Year Budget	First Quarter 14/15 Budget	First Quarter 14/15 Actual	First Quarter 13/14 Actual	14/15 Variance Budget v Actual		Comments
	£'000	£'000	£'000	£'000	£'000	%	
Major expenditure items							
Forward Planning	354	1	-31	88	-32	0	The variance relates to works carried out prior to 31 March 2014. The Council are awaiting the final report from the consultants before any settlement is made. Expenditure patterns are not consistant from year to year therefore such a comparison has little meaning.
Contract cost Monitoring							
Leisure Facilities:-							
Loughton Leisure Centre	-175	-31	-15	-30	16	-52	}
Epping Sports Centre	315	52	26	50	-26	-50	} The in year variance and year-on-year variances are due to contractor invoices being one month in arrears at the end of June 2014.
Waltham Abbey Pool	513	86	43	83	-43	-50	}
Ongar Sports Centre	298	49	25	47	-24	-49	}
	1,305	157	48	238			

2014/15
DIRECTORATE FINANCIAL MONITORING - NEIGHBOURHOODS

	14/15 Full Year Budget £'000	First Quarter 14/15 Budget £'000	First Quarter 14/15 Actual £'000	First Quarter 13/14 Actual £'000	14/15 Variance Budget v Actual £'000	14/15 Variance Budget v Actual %	Comments
Major income items:							
Refuse Collection	80	10	11	7	1	10	No major variances
Recycling	2,461	156	-163	-2	-319	-204	The negative income variance is because income relating to 2013/14 is still to be received from ECC.
Off Street Parking	1,134	190	156	188	-34	-18	Pay and display income is still being received sporadically and hence is around 2 weeks in arrears. Season ticket and PCN income is received on a quarterly basis in July, October, January and March.
North Weald Centre	1,070	421	408	340	-13	-3	There are 2 rent reviews to be concluded and related rent arrears to be collected. This process has been somewhat protracted but is expected to be resolved shortly.
Hackney Carriages	181	45	54	47	9	20	A new tarrif was brought in this year for Hackney Carriage Licences enforcing the use of meters in cabs. This has forced some drivers to have both a Hackney Carriage and Private Hire plate and the use of 2 different vehicles.
Licensing & Registrations	115	11	12	9	1	9	No major variances.
Fleet Operations MOTs	228	57	61	56	4	7	MOT testing by the Fleet Operations section is showing signs of recovery after the reduction experinced during the last couple of years.
	5,269	890	539	645			

2014/15

DIRECTORATE FINANCIAL MONITORING - RESOURCES

	14/15 Full Year Budget	First Quarter 14/15 Budget	First Quarter 14/15 Actual	First Quarter 13/14 Actual	14/15 Variance Budget v Actual		Comments
	£'000	£'000	£'000	£'000	£'000	%	
Major expenditure items:							
Building Maintenance	703	73	45	41	-28	-38	Building Maintenance works are difficult to forecast but generally works are undertaken after the first quarter in the latter part of the year which allows for preparation work to take place initially.
Information Technology	771	527	562	544	35	7	The increase in expenditure in the first quarter in comparison to the budget relates to inflationary increases on annual maintenance contracts, and a change to the timing of the start of new contracts to the beginning of the financial year. The increase in expenditure in comparison to the previous year is as a result of £22,000 being spent on the purchase and integration of two different systems within the Council.
Telephones	171	63	79	46	16	4	The increase in expenditure in the first quarter in comparison to the budget and previous year actual relates to the maintenance cost of the new VOIP telephony system which has been implemented within the Council.
Bank & Audit Charges	169	1	1	0	0	0	No significant expenditure occurs in either audit or bank charges until quarter 2.
	1,814	664	687	631			
Major income items:							
Investment Income	399	100	108	106	8	8	Investment interest is similar to the previous year and a little higher than expected due to higher investment balances being held.
	399	100	108	106			

2014/15 DIRECTORATE FINANCIAL MONITORING - HOUSING REVENUE ACCOUNT

	14/15 Full Year Budget	First Quarter 14/15 Budget	First Quarter 14/15 Actual	13/14 Actual	14/15 Variance Budget v Actual		Comments
	£'000	£'000	£'000	£'000	£'000	%	
Major expenditure items:							
Management & General	297	73	65	49	-8	-11	Expenditure is higher in 2014/15 due to the start of the Council's house building programme.
Housing Repairs	5,693	1,309	1,069	733	-240	-18	The underspend mainly relates to the responsive repairs of the fund. The budget is profiled evenly across the year, as it is unknown when responsive repairs will arise. An increase in responsive repairs and voids account for the variance between years.
Special Services	631	160	103	109	-57	-36	The main areas showing an underspend are: Heating and Lighting.
	6,621	1,542	1,237	891			
Major income items:							
Non-Dwelling Rents	857	212	206	215	-6	-3	Income levels are down due to a higher than expected level of garage voids.
Gross Dwelling Rent	31,680	7,920	7,877	7,578	-43	-1	Income is below expectations due to higher than expected sales and voids. The variance between years is due to the annual rents increase which was 4.9% from April 2014.
	32,537	8,132	8,083	7,793			

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2014/15 DIRECTORATE CAPITAL MONITORING - COMMUNITIES

	14/15 Full Year Budget		First Quarter 14/15 Budget	First Quarter 14/15 Actual		14/15 Variance Budget v Actual			Comments
	£'000		£'000	£'000		£'000		%	
Museum Property Purchase	1,750		787	521		-266		-34	Please see comments on the major schemes schedule.
CCTV Systems	112		28	20		-8		-29	This budget includes works to be carried out at Langston Road, Loughton High Road, Lower Queens Road Buckhurst Hill and Epping High Street. Although the overall budget position is underspent, works have commenced at Loughton High Road and Lower Queen Roads Buckhurst Hill and are expected to be completed in Quarter 2. A wireless receiver has been purchased for Epping High Street and installation works are due to be carried out in Quarter 2. Expenditure is expected to increase against Quarter 2 budget. The whole budget is expected to be fully spent by the end of the financial year.
Housing Estate Parking	891		223	0		-223		-100	The programme of providing off street parking facilities on Council Estates is ongoing. Phase 4 is almost complete; the final site within this phase is the Harveyfields site, which is due to be completed in the autumn. Feasibility studies have been undertaken on the sites identified in Phase 5 of the programme and a resident consultation process is underway. Planning permission has been obtained for construction works on two sites: Queens Road and Ladyfields and works are expected to commence later this year. All these schemes are joint funded between the General Fund and the HRA depending on the split between sold properties and HRA tenanted properties.
Limes Farm Hall Development	6		2	0		-2		-100	Limes Farm Hall Development is now completed. The budget of £6,000 is a carry forward from 2013/14 and is expected to be spent this financial year.
Total	**2,759**		**1,040**	**541**					

2014/15 DIRECTORATE CAPITAL MONITORING - GOVERNANCE

	14/15 Full Year Budget	First Quarter 14/15 Budget	First Quarter 14/15 Actual	14/15 Variance Budget v Actual		Comments
	£'000	£'000	£'000	£'000	%	
Purchase of Bridgeman House, Waltham Abbey	654	0	0	0	0	Negotiations have fallen through and this project will not be going ahead. The budget will be removed from the Capital Programme when it is reviewed in December 2014.
Purchase of Lease re Torrington Drive	3,462	3,462	3,511	49	1	This project was finalised in this quarter. The overspend relates to higher than expected capital fees.
New Developments	173	43	20	-23	-53	This budget has been set aside for new developments, in particular at the Langston Road development site. A consultancy exercise is currently being carried out and detailed planning permission is being sought for the Epping Forest Shopping Park at Langston Road.
Property Management System	35	0	0	0	0	Portfolio Holder approval is being sought for the appointment of a new provider for this system. The initial supplier was unable to satisfy the specific requirements needed for the management of the Council's commercial properties. Approval is expected to be granted in quarter 2 and the order for the system should follow. Implementation is anticipated to be in quarter 3.
Total	**4,324**	**3,505**	**3,531**			

2014/15 DIRECTORATE CAPITAL MONITORING - NEIGHBOURHOODS

	14/15 Full Year Budget	First Quarter 14/15 Budget	First Quarter 14/15 Actual	14/15 Variance Budget v Actual	14/15 Variance Budget v Actual	Comments
	£'000	£'000	£'000	£'000	%	
Waste Management Equipment	130	33	10	-23	0	This budget includes a 2013/14 carry forward figure of £38,000. The budget will be used to update the Council's current waste and recycling containers to ensure they are in reasonable condition when handed over to the new waste and recycling contractor in November 2014. The budget is currently showing an underspend, the updating of waste containers is on-going and an increase in spending is expected in the next quarter.
Parking Schemes	345	0	0	0	0	This category includes the Buckhurst Hill Parking Review Scheme and the Loughton Broadway Parking Scheme. The formal public consultation for the Buckhurst Hill Parking Review scheme is in progress and should be completed in the next quarter. No expenditure was anticipated in this first quarter, but costs are expected to be incurred against this budget in the next quarter. The final scheme, Loughton Broadway Parking Review, will follow once the Buckhurst Hill scheme is completed.
North Weald Airfield	128	0	0	0	0	This budget is funded from contributions from the airfield's market operator Hughmark. Spending on this budget will continue to be low since the Council has agreed to carry out essential work only following a negotiated reduction in Hughmark's capital contributions in the last financial year.
Other Environmental works	222	0	0	0	0	This category includes the Council's grounds maintenance vehicle replacement programme, flood alleviation improvement works and the pay and display car park scheme. An order has been placed for a 4x4 grounds maintenance vehicle, which will be used to carry survey and inspection equipment out on site. Delivery of some electronic telemetry equipment for flood alleviation schemes is expected in the next quarter and further assessments are being carried out on other sites, which will determine the nature and scope of equipment required. Procurement is underway for the installation of new pay and display machines across all Council owned car parks. Although there has been no spending on this budget to date, expenditure is expected to increase in the next quarter.
Total	**825**	**33**	**10**			

2014/15 DIRECTORATE CAPITAL MONITORING - RESOURCES

	14/15 Full Year Budget	First Quarter 14/15 Budget	First Quarter 14/15 Actual	14/15 Variance Budget v Actual		Comments
	£'000	£'000	£'000	£'000	%	
Planned Maintenance Programme	681	170	8	-162	-95	This budget covers all projects, except for those reported on separately in this report, being undertaken within the Planned Maintenance Programme and includes a total of £196,000 carry forwards from 2013/14. There are thirty three planned projects and the main ones include window replacements in the Civic Office building, the upgrade of electrical & LED lighting works, Disability Discrimination Act (DDA) compliant works and energy conservation works. Works on the DDA compliant project is ongoing and the tendering process is underway for the external works projects. Works on these projects are expected to commence in the second and third quarter of the year. The 5 year Planned Maintenance Programme is currently under review and will be presented to Cabinet in October. Changes identified during this process will feed into the next Capital review.
Solar Energy Panels	196	49	0	-49	-100	The tendering process for roofing works has commenced. Construction works are due to commence later this year following contractor appointment and obtaining planning permission.
Upgrade of Industrial Units	311	78	0	-78	-100	This project is subject to agreement with tenants occupying the units on the industrial estates. Negotiations with the tenants are on-going. Some legal expenses are expected against this budget but the current forecast is that no works will be carried out in this financial year. The 5 year Planned Maintenance Programme to be presented to Cabinet in October will update the budget accordingly.
W Abbey Swimming Pool Roof	10	3	0	-3	-100	This project is on hold pending a decision about the future role for local authorities in leisure provision which will be published in the Leisure Strategy. No works are expected to be carried out in this financial year.
ICT Projects	529	117	13	-104	-89	This budget covers all planned ICT projects to be undertaken in this financial year and includes a total of £105,000 carry forwards from 2013/14. There are 14 planned projects, the main ones being the disaster recovery scheme, completing the telephony upgrade, the replacement of host servers, eform back office integration and the next phase of mobile working solutions. The telephony upgrade is in its final stages and is expected to be completed in quarter 2. Work on the disaster recovery project commenced in quarter 1, the resilient connectivity is expected to be finalised in quarter 2 which will facilitate the phone and website host implementation. The tendering process is underway for the replacement of host servers project with contractor appointment expected to be in quarter 2 and implementation to follow soon after. Phase 1 of the mobile working solutions is expected to be completed in the next quarter and proposals on future roll-outs (Phase 2) are being sought. Despite the budget being underspent, works have commenced on the majority of the schemes and an increase in expenditure is expected in quarter 2.
Total	**1,727**	**417**	**21**			

2014/15 DIRECTORATE CAPITAL MONITORING - HOUSING REVENUE ACCOUNT

	14/15 Full Year Budget	First Quarter 14/15 Budget	First Quarter 14/15 Actual	14/15 Variance Budget v Actual		Comments
	£'000	£'000	£'000	£'000	%	
Housing Developments	3,264	20	5	-15	-75	Housing developments include phases 1 and 2 of the new house building programme as well as the conversion works at Marden Close and Faversham Hall. The actual costs of £5,000 incurred in quarter 1 relate to phase 1 of the house building programme: please refer to annex 13 (Major Schemes) for more information. Regarding the conversion works at Marden Close and Faversham Hall, tenders have been evaluated and the lowest tender approved; an additional sum of £310,000 to be allocated from the Service Enhancement Fund was identified in a portfolio holder report (July 2014)
Heating/Rewiring /Water Tanks	2,711	658	451	-207	-31	This category includes gas and electrical heating; mechanical ventilation and heat recovery (Mvhr) installation; rewiring; and communal water tank replacements. The overall budget position shows an underspend, primarily on the heating budgets. This is partly due to a £150,000 contract for the one-off replacement of two gas heating boilers at Buckhurst Court having only just commenced. Secondly, works on the electrical heating programme are due to commence in the autumn following the appointment of the specialist contractor.
Windows/Doors/Roofing	3,143	776	407	-369	-48	All the budgets in this category are currently showing as underspent. The extension of the contract for the replacement of composite front doors has not been entered into due to the poor performance of the specialist contractor. The appointment of a new contractor was completed in quarter 1, and an accelerated catch up programme of front door replacement works will be implemented in quarter 2. The contract for flat roofs has been let in this quarter and works are expected to commence in the next quarter. A overall underspend on this budget category is expected, which will be addressed at the next Capital review.
Other Planned Maintenance	824	206	120	-86	-42	This category includes Norway House improvements, communal TV upgrades, door entry system installation and energy efficiency works. All the budgets are underspent. The more significant underspends are within the energy efficiency works and door entry installation budgets. Work on door entry installations and energy efficiency works commenced in quarter 1 and expenditure is expected to increase as both programmes complete works during quarter 2. Around £17,000 of the Norway House improvements budget has been earmarked for the provision of Wi-Fi on site along with some service enhancement monies, but work on this has not started yet.
Kitchen Replacements	1,506	377	194	-183	-49	This budget is currently showing an underspend. Overall, the kitchen replacement programme is progressing well and is currently on target. £160,000 of the underspend relates to works on 32 properties that are currently on hold pending clearance of tenant arrears. A proportion of this budget is expected to be used to finance capital works undertaken as part of the voids process. This will be considered at the next review of Capital Programme and virements requested accordingly.
Bathroom Replacements	1,779	445	391	-54	-12	Overall, the bathroom replacement programme is progressing well and on target. The identified underspend relates mainly to works on 21 properties that are currently on hold awaiting clearance of tenant arrears. A proportion of this budget is expected to be used to finance capital works undertaken as part of the voids process. This will be considered at the next review of Capital Programme and virements effected accordingly.
Void Refurbishments & Other Small Works	1,962	490	358	-132	-27	Capital work on void properties is demand led as the level of spending depends on the quality and condition of properties as they become void. In the past year there has been a general increase in spending on this budget partly due to the Council carrying out more capital improvements (as part of the Repairs Refresh Programme) while properties are void, but also due to a number of tenants downsizing as a result of the introduction of the benefit cap within the Welfare Reform Act. Despite the current underspend, this budget is expected to be fully spent by the year end as expenditure is likely to increase in the next three quarters, based on previous trends.
Total c/f	15,189	2,972	1,926			

2014/15 DIRECTORATE CAPITAL MONITORING -
HOUSING REVENUE ACCOUNT

	14/15 Full Year Budget	First Quarter 14/15 Budget	First Quarter 14/15 Actual	14/15 Variance Budget v Actual		Comments
	£'000	£'000	£'000	£'000	%	
Total b/f	15,189	2,972	1,926			
Structural & Other Works	467	110	49	-61	-55	The Council's ongoing programme of carrying out remedial structural works to a number of properties is under way. However, this budget also funds urgent major structural repair works which are ad-hoc in nature. During quarter 1 no urgent major structural repairs have been identified.
Council Estate Parking, Garages & Other Environmental Works	1,777	244	52	-192	-79	This category includes garages, fencing, off street parking, estate environmental works, watercourse repairs, cctv installations, drainage works, external lighting schemes and a gas pipe work replacement programme. The two largest projects in this category are the off street parking schemes on Council owned land and the gas pipe work replacement programme, both of which are currently underspent. The off street parking schemes are joint funded between the HRA and General Fund. Please see comments on annex 7. The programme for the replacement of gas pipe works is a four year project and includes works on 38 blocks of flats in Waltham Abbey and Loughton. Work has commenced on 3 blocks at Ninefields and completion is due early in quarter 2. These two budgets are expected to be underspent and will be updated when the Capital Programme is reviewed. The overall budget position for the other budgets within this category (except for fencing) are also showing as underspent. The reduced work on drainage projects due to a transfer of responsibility to the Water Authorities continues to reduce expenditure. The temporary hold on works to garage sites is still in place until potential development sites identified as part of the House Building programme are confirmed. This has resulted in a reduction in expenditure for this quarter which is likely to continue for several years until all feasibilities on the House Building Programme are completed. The contract for estate environmental works has been let and works have commenced with a catch up programme underway. Recommendations to vire identified underspends will be made accordingly as part of the Capital Review.
Disabled Adaptations	402	95	66	-29	-31	Although the budget position is showing an underspend, it is anticipated that it will be fully spent by the end of the financial year.
Other Repairs and Maintenance	221	51	38	-13	-25	This category includes feasibilities, asbestos removal and the contingency budget. The current budget position is showing as underspent. Asbestos removal is by far the largest budget within this section, these works are demand led and are roughly on target, with the budget showing a small underspend. The feasibility budget is again demand led and showing an underspend in quarter 1, however, a number of projects have been identified and expenditure on this budget is expected in quarter 2. There have been no calls on the contingency budget.
Capital Service Enhancements	399	0	0	0	0	The capital service enhancements budget includes the front entrance fire door replacement programme on leasehold properties, the Oakwood Hill estate enhancement project, the refurbishment of communal kitchens in sheltered schemes, the provision of electric scooter stores at sheltered schemes, a contribution towards the provision of Wi-Fi at Norway House, and the online rents system & repairs maintenance software. The front entrance fire door replacement programme is progressing well with the new specialist contractor, with installations underway, and expenditure is due in quarter 2. The Oakwood Hill estate enhancement project task force met late in quarter 1 and work is being planned. The refurbishment of the communal kitchens in sheltered schemes is underway with the completion of some schemes expected in quarter 2. Consultation with the residents of sheltered schemes for the provision of electric scooter stores is being undertaken with a planning application for prioritised schemes due in quarter 2. The works on the remaining schemes are being progressed in the design and planning stages. There has been no spending on these budgets in quarter 1.
Housing DLO Vehicles	68	0	0	0	0	A request for the purchase of four vehicles has been made. The procurement exercise will be carried out in quarter 2 with delivery of the vehicles expected in Quarter 4.
Total	**18,523**	**3,472**	**2,131**			

2014/15 DIRECTORATE CAPITAL MONITORING - REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE (REFCuS)) AND CAPITAL LOANS

REFCuS	14/15 Full Year Budget £'000	First Quarter 14/15 Budget £'000	First Quarter 14/15 Actual £'000	14/15 Variance Budget v Actual £'000	14/15 Variance Budget v Actual %	Comments
Disabled Facilities Grants	363	92	70	-22	-15	Although this budget is showing an underspend, the number of occupational therapist referrals that initiate Disabled Facilities Grant (DFG) applications have been growing significantly since March 2013. The forecasted number of referrals for 2014/15 is 190, compared to 163 in 2013/14. The situation is being monitored and if a potential overspend is identified, an additional allocation will be sought.
Other Private Sector Housing Grants	4	1	5	4	17	This budget covers private sector housing grants approved under the previous system of non-repayable grants for decent homes, small works and thermal comfort assistance. There are 2 remaining cases, totalling £10,000, which have been held in abeyance due to client hospitalisation and protracted legal consents with a listed building. Again, this is being monitored and an additional allocation will be requested if appropriate.
Waltham Abbey Regeneration	8	2	0	-2	59	This regeneration initiative started in 2011/12, financed from the £165,000 premium paid by Lidl in respect of 1 Cartersfield, Waltham Abbey. It consists of a number of projects managed by Waltham Abbey Town Council. Most of the projects completed to date have been of a capital nature but do not enhance EFDC assets, consequently they have been classified as revenue expenditure, although they can be financed from capital resources. The remaining projects are small scale schemes and may be financed from revenue. Once clarified, appropriate amendments will be made.
HRA Leaseholders	TBA	TBA	TBA		N/A	These costs relate to capital expenditure on sold Council flats and are currently shown in the HRA capital programme. They will be identified once the works are complete and reported at the end of the financial year.
Total	**375**	**95**	**75**			

CAPITAL LOANS	14/15 Full Year Budget £'000	First Quarter 14/15 Budget £'000	First Quarter 14/15 Actual £'000	14/15 Variance Budget v Actual £'000	14/15 Variance Budget v Actual %	Comments
Home Ownership Schemes	593	0	0	0		The Open Market Shared Ownership Scheme provides interest-free loans to B3Living (formerly Broxbourne Housing Association) to enable first time buyers to purchase properties on the open market. The scheme is now in its second phase, with 5 out of 6 loans completed in this phase. A maximum purchase price of £250,000 per property is applicable under this scheme and with the current upward trend in property prices, this has resulted in the uptake on the interest-free loans being lower than expected. A number of options on how to make the scheme more attractive are currently being considered. The decision with regards to phase 3 of this scheme will be made when the second phase is completed.
Repayable Private Sector Housing Loans	412	88	14	-74	-46	This scheme offers discretionary loans to provide financial assistance for improving private sector housing stock and replaces the old non-repayable grants scheme referred to above. The budget is underspent to date as the uptake for these loans has remained low. Expenditure for the year is likely to be no more than £100,000 and it is likely that a request will be made to carry forward some of the unspent portion into 2015/16.
Total	**1,005**	**88**	**14**			

HOUSE BUILDING - PACKAGE 1										
Original Start on Site Date	Original Finish Date	Proposed Start on Site Date	Proposed Finish Date	Original Pre-Tender Forecast £'000	Updates £'000	Latest Forecast £'000	Actual Expenditure To Date £'000	Anticipated Outturn £'000	Variance to Original Cost %	Variance to Approved Budget %
Apr-14	Jun-15	Nov-14	Dec-15	3,948	-565	3,383	89	TBA	-14%	N/A

In July 2013, the Cabinet Committee considered and approved the feasibility study for Package 1 of the Council House-building Programme. Planning approval has been achieved for four sites in Roundhills and Harveyfields in Waltham Abbey. This Package is expected to provide 23 new affordable homes and a budget of £3,383,000 has been approved to date to cover the cost of works, site enabling costs and fees.

Tenders were received in July 2014 and evaluated by Pellings, the Employers Agent acting on behalf of East Thames, the Council's Development Agent. An evaluation process is now being undertaken on the financial status of all the tenderers and a report will be presented to the Council's Housebuilding Cabinet Committee on 21 August 2014. It is anticipated that work will start on site in November 2014 with the first new homes due for completion in around December 2015.

The Council has recently learnt that it has been successful in its bid for HCA Affordable Housing Grant for Phase 2 of the Council House-building Programme. It was announced that the Council's full grant application for £250,000 consisting of 40 properties at £12,500 per property has been approved. This will be subject to the Council now applying for and achieving HCA Partner Status, which East Thames will assist the Council in achieving.

EPPING FOREST DISTRICT MUSEUM										
Original Start on Site Date	Original Finish Date	Proposed Start on Site Date	Proposed Finish Date	Original Pre-Tender Forecast £'000	Updates £'000	Latest Forecast £'000	Actual Expenditure To Date £'000	Anticipated Outturn £'000	Variance to Original Cost %	Variance to Approved Budget %
Feb-14	Jan-15	Jan-15	Oct-15	1,750	0	1,750	521	TBA	0%	N/A

In November 2012 the Museum Service submitted a bid to the Heritage Lottery Fund for an extension and redevelopment of the Epping Forest District Museum, this was supported by an agreed capital commitment from EFDC of £250,000 towards the purchase of the lease of the 1st floor of the adjoining 37 Sun Street. The bid was successful resulting in an award totalling £1,654,000 in March 2013; £1,500,000 for the capital redevelopment works and £154,000 for the associated engagement programme over a three year period. The project will transform the museum, providing step free access across the site and bringing a large percentage of the reserve collections, currently held at Langston Rd into the heart of the museum.

Delay in acquiring the lease (originally estimated to be completed by June2013) until April 2014 postponed the start of the detailed design work, although clearance of the Museum building and as much preliminary work as possible was undertaken while waiting for the purchase completion.

Since April 2014 the appointed design team have been undertaking further investigations of the buildings and developing the scheme, with tenders for the main contractor of the build phase anticipated to be sent out in September 2014 and appointment made by November 2014. Revised costings for the building works are currently being undertaken ahead of the main contractor tender and any additional costings emerging from the purchase and design stage will be met in the first instance from project contingencies.

The build phase is due to begin on site in January 2015 and be completed by July 2015. This will be followed by the installation of the exhibitions and collections to be completed by October 2015. If these timescales are achieved the Museum will reopen to the public in mid-October 2015.

Report to the Finance and Performance Management Cabinet Committee

Report reference: FPM-009-2014/15
Date of meeting: 18 September 2014

Epping Forest nn-2014/15
District Council

Portfolio: **Finance**

Subject: **Risk Management – Corporate Risk Register**

Officer contact for further information: **Edward Higgins – (01992 564606)**

Democratic Services Officer: **Rebecca Perrin - (01992 564532)**

Recommendations/Decisions Required:

1. **To note the updating of the Corporate Risk Register;**

2. **To consider whether there are any new risks that are not on the current Corporate Risk Register;**

Executive Summary:
The Corporate Risk Register has been considered by both the Risk Management Group on 1 September and Management Board on 4 September. These reviews identified amendments to the Corporate Risk Register but no additional risks.

Reasons for Proposed Decisions:
It is essential that the Corporate Risk Register is regularly reviewed and kept up to date.

Other Options for Action:
Members may suggest new risks for inclusion or changes to the scoring of existing risks.

Report:

1. The Corporate Risk Register was reviewed by the Risk Management Group on 1 September and Management Board on 4 September 2014. A number of minor amendments have been identified and incorporated into the register (Appendix 1).

2. Risk 1 Local Plan – An additional vulnerability, trigger and consequence has been added. This addition reflects on the lack of an adopted Plan and the consequential demand on the public funding of infrastructure through inadequacies in S106/CIL (Community Infrastructure Levy) arrangements. The Risk score remains A1 Very High Likelihood/Major Impact.

3. Risk 2 Strategic Sites – To ensure an improved overview of the strategic sites, North Weald and Oakwood Hill have been added to the Effectiveness of controls/actions. The risk score remains A1 Very High Likelihood/Major Impact.

4. Risk 4 Finance Income – Key date amended to 17 February 2015 updated to the 2015/16 Budget setting by Council.

5. Members are now asked to consider the attached updated Corporate Risk Register and whether the risks listed are scored appropriately and whether there are any additional risks that should be included.

Resource Implications:
No additional resource requirements.

Legal and Governance Implications:
The Corporate Risk Register is an important part of the Council's overall governance arrangements and that is why this Committee considers it on a regular basis.

Safer, Cleaner, Greener Implications:
None.

Consultation Undertaken:
The Risk Management Group and Management Board have been involved in the process.

Background Papers:
None.

Impact Assessments:

Risk Management
If the Corporate Risk Register was not regularly reviewed and updated a risk that threatened the achievement of corporate objectives might either not be managed or be managed inappropriately.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	**Summary of equality analysis**
5/09/14 Director of Resources	The purpose of the report is to monitor corporate risks. It does not propose any change to the use of resources and so has no equalities implications.

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Appendix 1

Epping Forest District Council

Corporate Risk Register

Date: 18 September 2014

Contents

1. Introduction

A strategic risk management ‘refresh’ exercise was conducted on 15th May 2013 with assistance from Zurich Risk Engineering. This exercise was an opportunity for the Management Board to refresh (or update) through identification, analysis and prioritisation those risks that may affect the ability of the Council to achieve its strategic objectives and Corporate Plan. In doing so, the organisation is recognising the need to sustain risk management at the highest level.

The refresh exercise involved a workshop with Management Board to identify new business risk areas and to update and re-profile important risks from the existing corporate risk register.

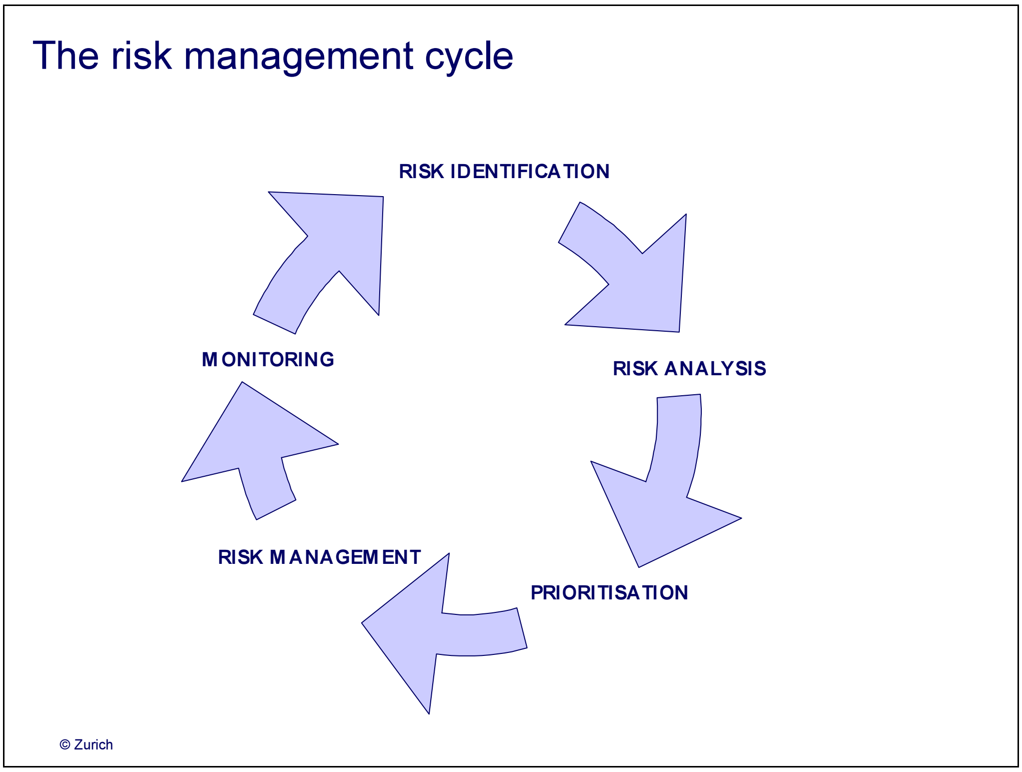
In total 8 strategic risks were profiled at the workshop and during the workshop, each risk was discussed to ensure common agreement and understanding of its description and then prioritised on a matrix. The risk matrix measured each risk for its likelihood and its impact in terms of its potential for affecting the ability of the organisation to achieve its objectives.

For the risks that were assessed with higher likelihood and impact, the group validated the risk scenarios and determined actions to manage them, including assessing the adequacy of existing actions and identifying the need for further actions in order to move the risk down the matrix.

Management Board agreed a timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios. Risks in the red zone will be monitored on a monthly basis and those in the amber zone on a quarterly basis.

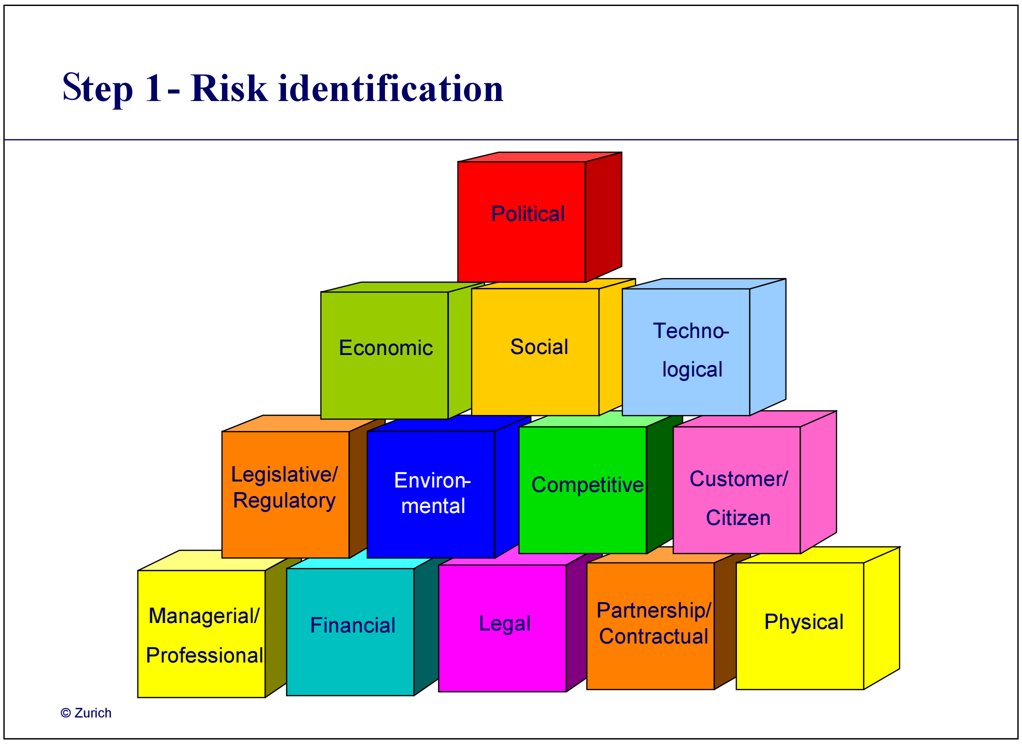
The following report outlines the process utilised by Zurich Risk Engineering and the results achieved.

2. The Process



Risk identification

The first of five stages of the risk management cycle requires risk identification. This formed the initial part of the workshop. In doing so the following 13 categories of risk were considered.



Risk analysis

During the workshop, the identified risks were discussed and framed into a risk scenario format, containing risk cause and consequence elements, with a 'trigger' also identified, This format ensured that the full nature of the risk was considered and also helped with the prioritisation of the risks.

Risk prioritisation

The discussion resulted in 8 risk scenarios being agreed (Appendix 2) and these were then assessed for impact and likelihood and plotted onto a matrix (Appendix 1). The likelihood of the risks was measured as being 'very high', 'high', 'medium', or 'low/very low'. The impact, compared against the key objectives and Corporate Plan was measured as being 'major', 'moderate', 'minor' or 'insignificant'.

Once all risks had been plotted the matrix was overlaid with red, amber and green filers, with those risks in the red area requiring further particular scrutiny in the short-term, followed by those in the amber area.

Risk management and monitoring

The next stage is to monitor the revised management action plans. These plans frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

A risk owner has been identified for each risk. It is vital that each risk should be owned by a member of Management Board to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans. Risks should also be reviewed as part of the business planning process, in order to assess if they are still relevant and to identify new issues.

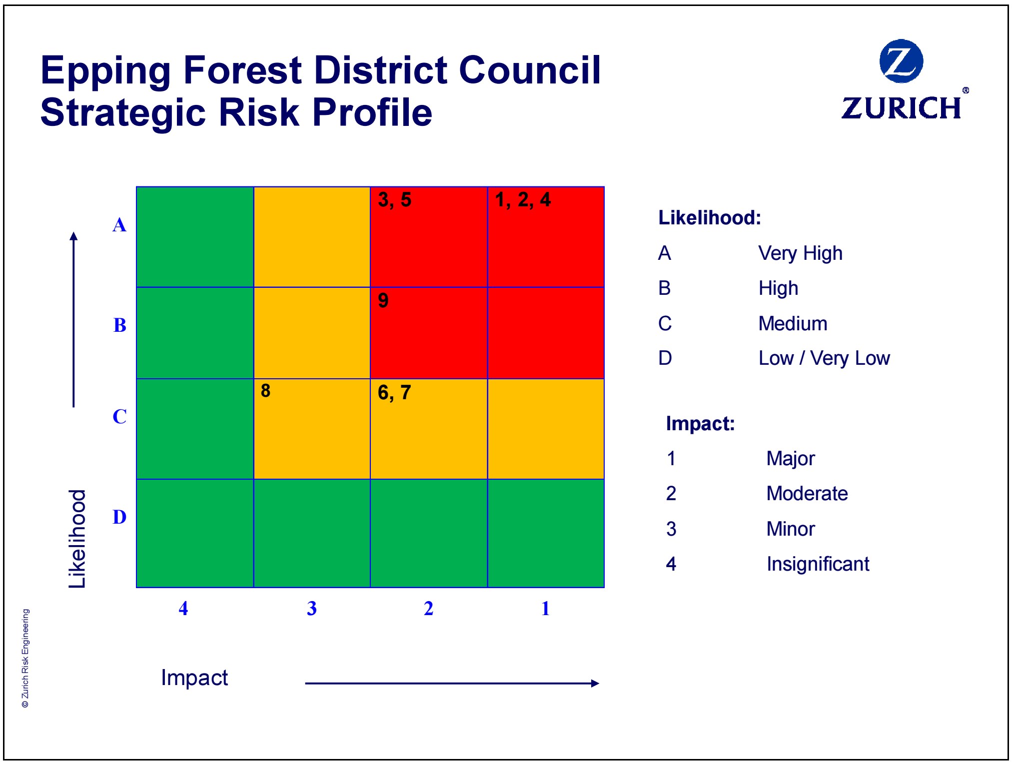
The monitoring of these action plans takes place at Corporate Governance Group, Management Board and the Risk Management Group. The action plans are also reported to Members quarterly.

As part of the regular review and reporting an additional risk on Safeguarding was added to the register in January 2014.

Appendix 1 – Risk Profile

Risk profile

During the workshop, 8 risks were identified and framed into scenarios. The results are shown on the following risk profile.



Appendix 2 details all of the above risks.

It is important that an action plan element is written for each of the risks, with particular focus on those with the highest priority, as it is this which will allow them to be monitored and successfully managed down.

An opportunity was also taken as part of this refresh to 'spring clean' the risk numbers, and they were numbered in priority order as follows:

New risk number	Short name
1	Local plan
2	Strategic sites
3	Welfare reform
4	Finance – income
5	Economic development
6	Data/ information
7	Business continuity
8	Partnerships
9	Safeguarding

Appendix 2 – Corporate Risk Register and Action Plans

Risk No 1 Local Plan A1

Vulnerability	**Trigger**	**Consequence**	**Risk Owner**
On-going changes to Planning system increase importance of having up to date Local Plan.	Failure to make timely decisions and adhere to Local Development Scheme Project Plan.	Reduced ability to manage development in line with local priorities. Failure to provide strategic direction for future development, and housing etc for future needs.	Derek Macnab
Changes in government planning policy require new Local Plan to take approaches significantly different from predecessors eg Duty to Co-operate, release Green Belt.	Failure of Council to approve a draft plan in line with National Planning Policy Framework.	Plan not "sound", leading for further delay, wasted resources, and vulnerability to planning appeal decisions.	
Difficulties in implementing "Duty to Co-operate" may make it difficult or impossible to achieve "sound" Local Plan in timely fashion	Inability to agree, particularly on amount and distribution of objectively assessed development needs.	As above	
Failure to make timely progress increases likelihood of "planning by appeal"	Failure to adhere to Local Development Scheme leads to developers making significant planning applications in advance of new Plan.	Significant diversion of professional resources to appeals. Risk of costs awards against Council. Potential lost opportunity for infrastructure and other provision due to outdated/National Planning Policy Framework non-compliant policies Development which is inappropriate in location/scale/type	
Lack of adopted Plan reduces ability to obtain developer contributions.	Developers exploit inadequacies in S106/CIL arrangements.	Additional demands put on public funding of infrastructure.	
Loss/sickness of key staff and recruitment difficulties or inappropriate resource provision hold back progress.	Loss/long term absence of key staff.	Delay in progress Potential need for rework due to loss of "corporate memory".	

Risk No 1 Local Plan – Action Plan

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Project management approach in place including regular updates, resource planning.	Project plan needs to incorporate more time for political engagement at key decision points.	Agree mechanisms and timing with lead members, incorporate in revised project plan	Derek Macnab	Future adherence to project plan.	Project plan ongoing. MB review 6 weekly	Finalise key evidence esp. re development need to summer 2014. Cabinet to agree draft plan for consultation September 2014, Consultation November 2014-January 2015.
Local Development Scheme revised July 2014.	Local Development Scheme adopted by Cabinet 21 July 2014.	Review Local Development Scheme on basis of new project plan, (see above)	Derek Macnab	Local Development Scheme remains robust	As necessary	Review likely within 12 months
Workshops for EFDC and Town/Parish councillors on key issues to enhance awareness and understanding of new government requirements.	Workshops popular and helpful but not a mechanism for strategic decision making.	Supplement workshops with other forms of briefing to EFDC members as agreed with leading members.	Derek Macnab	Timely decision making in line with project plan.	As necessary	
Engagement with other key stakeholders eg ad hoc meetings with Town/Parish councils, Resident Associations, use of Forester and website.	Limited, as tends to be reactive, resource intensive, and consistent messages difficult to develop in light of uncertainties over project plan	Develop strategic communications plan and implement See above re project plan	Derek Macnab	Stakeholders feel well informed about process and decisions. Informed responses to public consultation. Less need for reactive communications.	As necessary	Establish communications approach by mid September 2014

Risk No 1 Local Plan – Action Plan						
Existing Controls/actions to address risk	**Effectiveness of controls/actions**	**Required further management action**	**Responsibility for action**	**Critical success factors and measures**	**Review frequency**	**Key date**
Systematic approach to Duty to Co-operate, engaging public bodies and developing Memorandum of Understanding with key councils in the Strategic Market Housing Area.	Difficulties and delay in engaging councils in serious discussion re Memorandum of Understanding, however progress now being made. meetings held with most other key bodies with positive outcomes, issues identified. Constant review of Planning Institute local plan decisions re Duty to Co-operate.	Important that key decisions do not precede Duty to Co-operate ie “fait accompli”- needs to be accommodated in project plan and Local Development Scheme. Progress Memorandum of Understanding, engaging members and using Planning Advisory Service support as necessary. Engage further key bodies eg Lee Valley Regional Park. Discuss informally with Planning Institute as necessary.	Derek Macnab	Submitted plan passes legal test of Duty to Co-operate.	MB review six weekly	Officer Meetings – monthly now underway.. Member briefing by PAS 25 March. Further Member meetings to finalise Governance arrangements and “Duty to C0-operate planned for September 2014.
Consultants in place to support project management, resource planning, Sustainability Assessment, transport modelling, masterplanning. Experienced maternity cover for key posts in place. Temporary posts resourced. Budget available.	Staff cannot be prevented from leaving. Exit interviews should reveal any specific patterns. Market is picking up, making recruitment more difficult. Review of Staffing undertaken.	Review of Strategy agreed by Management Board. Implementation.	Derek Macnab	No delays to timetable due to staffing gaps or lack of critical skills	As above	New Staffing Structure Implemented by October 2014.

Risk No 2 Strategic Sites A1

Vulnerability	Trigger	Consequence	Risk Owner
The Council has a number of Strategic sites which it needs to make the right decisions about and then deliver on those decisions.	Not maximising the opportunity of the strategic sites either through decisions or delivery	• Financial viability of Council harmed • Lack of economic development and job creation • External criticism	Colleen O'Boyle

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Work on strategic sites is co-ordinated through a dedicated Cabinet Committee.	Work is progressing on developing a number of sites: 1. Work has now commenced on site to redevelop the Winston Churchill site; 2. Draft Heads of Terms for St Johns Road agreed by Cabinet in July; 3. The re-letting of the waste contract has freed up Langston Road earlier than had been anticipated; 4. North Weald master planning exercise in progress; 5. Oakwood Hill depot now has planning approval.	Reports to Cabinet Committee and Cabinet to obtain decisions on development options.	Colleen O'Boyle	Development of strategic sites completed in accordance with Cabinet decisions.	Monthly	None

Risk No 3 Welfare Reform A2			
Vulnerability	**Trigger**	**Consequence**	**Risk Owner**
The government is undertaking a major reform of the welfare system which is likely to have serious impacts on the Council and the community. This includes Universal Credit, changes to Council Tax and other benefits and direct payments to tenants.	Welfare reform changes have a detrimental effect on the Council and community	• Tenants no longer able to afford current/new tenancies. • Increase in evictions and homelessness • Increased costs of temporary accommodation • Unable to secure similar level of income due to payment defaults • Increase in rent arrears • Public dissatisfaction • Criticism of the Council for not mitigating the effects for residents.	Alan Hall

Existing Controls /actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Joint Benefits and Housing working group established. Mitigation action plan developed.	Two thirds of the actions have been implemented and the remaining actions are in abeyance pending Government announcements on Universal Credit.	Working Group to continue and amend mitigation action plan as necessary.	Alan Hall	A smooth implementation of welfare reforms. Minimise number and cost of redundancies.	Monthly	Start date for Universal Credit still unclear

Risk No 4 Finance Income A1			
Vulnerability	**Trigger**	**Consequence**	**Risk Owner**
The Council has a reliance on major income generating contracts and fee earning services. Some of which have been adversely affected by the recession and some of which may be affected by legislative change. With changes to central funding based on local retention of NDR the Council is more vulnerable to downturns in the local economy and to the large number of outstanding appeals against NDR assessments that pre-date local retention but which the Council will have to fund. Welfare reform may require substantial change to the calculation and administration of benefits with a likely reduction in funding received. The medium term financial strategy requires substantial net CSB reductions over three years.	Unable to secure required level of income due to recession, reduced economic confidence or adverse change in funding	• Council unable to meet budget requirements • Staffing and service level reductions • Increase Council Tax • Increase in charges • Greater use of reserves if required net savings not achieved • Higher level of saving in subsequent years.	Bob Palmer

Existing Controls /actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Monitoring of key income streams and NDR tax base. Savings opportunities pursued through service reviews and corporate restructure.	Effective to date as budgets have been achieved that meet the financial targets set by Members.	Update Medium Term Financial Strategy as announcements are made on changes to central funding and welfare. Continue to pursue opportunities to reduce net spending.	Bob Palmer	Savings targets achieved with net expenditure reductions over the medium term as part of a structured plan.	Monthly	17 February 2015 Council adopt budget for 2015/16

Risk No 5 Economic Development A2

Vulnerability	Trigger	Consequence	Risk Owner
Economic development and employment is very important, particularly in the current economic climate. The Council needs to be able to provide opportunities for economic development and employment (especially youth employment) in the District.	Council performs relatively poorly compared to other authorities.	• Unable to secure sufficient opportunities • Local area and people lose out • Insufficient inward investment • Impact on economic vitality of area • Loss of revenue	Colleen O'Boyle

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Work has commenced on an updated Economic Development Strategy. Report to September Cabinet seeking four new posts.	Resources in this area have not yet been increased in line with the greater significance it now has.	Completion of Strategy and allocation of appropriate resources. Recruitment of experienced staff.	Colleen O'Boyle	Growth in NDR tax base and employment opportunities. Council to be viewed as punching above its weight.	Monthly	30 September 2014 – target date for completion of strategy.

Risk No 6 Data / Information C2

Vulnerability	Trigger	Consequence	Risk Owner
The Authority handles a large amount of personal and business data. Either through hacking or carelessness, security of the data could be compromised.	Data held by the Council ends up in inappropriate hands.	• Breach of corporate governance • Increased costs and legal implications • Reputation damaged	Bob Palmer

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Security Officer is continually monitoring situation and potential risks. Most systems have in built controls to prevent unauthorised access. Controls in systems have been strengthened in response to specific occurrences Rollout of a Data Protection e-learning module commenced Jan 2014, for completion by officers every two years. Data Protection formed part of Member induction from May 2014, with requirement to confirm acceptance of the Council's DP policy.	Generally effective to date, with only minor lapses in 2013/14.	Maintain GCSx compliance and system controls. Consolidation of Data Protection and Freedom of Information work in one area.	Bob Palmer	No data loss or system downtime due to unauthorised access of EFDC systems or data. Continued security of personal data held by the Council in accordance with the Data Protections Act 1998.	Quarterly	None

Risk No 7 Business Continuity C2

Vulnerability	Trigger	Consequence	Risk Owner
The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act. Following the consolidation into four directorates plans need to be updated and changes in responsibilities confirmed.	Unable to respond effectively to a business continuity incident (e.g IT virus/flu pandemic)	• Services disrupted / Loss of service • Possible loss of income • Staff absence • Hardship for some of the community • Council criticised for not responding effectively	Derek Macnab

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Most services already have business continuity plans in place and a separate flu pandemic plan has been developed.	The effectiveness of controls is assessed periodically through test and exercises	Both corporate and service business continuity plans are being updated. Implementation of Cabinet approved measures to enhance the resilience of ICT	Derek Macnab	Having plans in place which are proved fit for purpose either by events or external scrutiny.	Quarterly	None

Risk No 8 Partnerships C3			
Vulnerability	**Trigger**	**Consequence**	**Risk Owner**
The Council is involved in a plethora of multi agency partnerships e.g. LSP - LEP, and these have a variety of governance arrangements. Localism act may cause transfer of Council services to providers with governance issues.	Key partnership fails or services provided via arrangements lacking adequate governance.	• Relationships with other bodies deteriorate • Claw back of grants • Unforeseen accountabilities and liabilities for the Council • Censure by audit/inspection • Adverse impact on performance	Glen Chipp

Existing Controls/actions to address risk	**Effectiveness of controls/actions**	**Required further management action**	**Responsibility for action**	**Critical success factors and measures**	**Review frequency**	**Key date**
Active participation in key partnerships by appropriate officers/Members. Structured reporting back to designated Scrutiny Panels. Members can request representatives on outside bodies to report to Full Council.	No significant issues to date. However, some concern exists about the working of the North Essex Parking Partnership.	Continue existing monitoring procedures for current partnerships and construct appropriate arrangements for any new partnerships.	Glen Chipp	No significant impacts on service delivery or Council reputation from any partnership failures.	Quarterly	None

Risk No 9 Safeguarding B2			
Vulnerability	**Trigger**	**Consequence**	**Risk Owner**
The Council needs to demonstrate its ability to meet its duties under Sections 11 and 47 of the Children Act 2004. Although not yet a statutory requirement, the Council also needs to comply with best practise in regard to safeguarding vulnerable adults from harm. This is a Council –wide requirement which includes training and awareness of staff at all levels across the organisation and Elected Members. Effective systems and processes for safeguarding children, young people and vulnerable adults need to be in place. The Council needs to ensure that key contractors have systems in place, and that there are staff trained, to identify and report safeguarding concerns appropriately.	The Council fails to meet its duties in regard to safeguarding and information sharing Elected Member reluctance to undertake training results in the Council failing to meet a 'whole Council' approach Staff reluctance to be involved in referring safeguarding concerns due to lack of confidence and awareness.	• A child, young person or vulnerable adult suffers significant harm • A child, young person or vulnerable adult suffers from exploitation • Avoidable death of a child, young person or vulnerable adult living in the District • Reputational risk for Council • Censure and special measures applied	Alan Hall

Risk No 9 Safeguarding - Action Plan

Existing Controls/ actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
The Council has a current and comprehensive Safeguarding Policy which is updated annually or in line with any changes within legislation. The policy details what is required of all staff and members, and contains clear instructions for the recording and processing of safeguarding concerns, incidents and allegations. Corporate Safeguarding Group is forum for sharing best practice and information across Directorates and identifying any weaknesses in the Council's work. Contractors safeguarding processes are included in the procurement process. All staff are required to undertake appropriate safeguarding training. The Council has a Safe Recruitment Policy. The Council has a dedicated senior safeguarding post for two years to enable the Council to meet all of the required standards.	The Council has reduced the risk of safeguarding issues going unnoticed by staff and members by providing clear procedures and requirements for training and awareness. This group is only partially effective, due to limited commitment by some Directorates Room for improvement. This will be effective subsequent to a training Plan being developed. Safe Recruitment assists the Council in reducing the risk of employing an unsuitable member of staff.	Leadership Team and Managers to ensure that all staff are aware of the Councils safeguarding policy and procedures The Council needs to ensure timely response to changes in legislation or local procedures. Directorates need to commit time for representatives to attend the Corporate Working Group. Need to ensure they have appropriate systems to address safeguarding issues. Staff require training in Safe Recruitment.	Alan Hall	The Council meets all of its duties under Section 11 and 47. The Council fully meets all aspects of the ESCB/ESAB Safeguarding self - assessment.	Monthly	Monthly

Report to the Finance and Performance Management Cabinet Committee

Report Reference: FPM-010-2014/15
Date of meeting: 18 September 2014

Epping Forest District Council

Portfolio: **Finance**

Subject: **Annual Governance Report**

Responsible Officer: **Bob Palmer – (01992 564279)**

Democratic Services Officer: **Rebecca Perrin - (01992 564532)**

Recommendations/Decisions Required:

To note the External Auditor's Annual Governance Report.

Executive Summary:

The External Auditors will present their Annual Governance Report to the Audit and Governance Committee on 25 September 2014. The report has been placed on this agenda to ensure that members of this Committee are aware of the key issues raised.

The Annual Governance Report was still being completed when this agenda was published and so the report will follow as part of a supplementary agenda.

Reasons for Proposed Decisions:

To ensure that Members are informed of any significant issues arising from the audit of the Statutory Statement of Accounts.

Other Options for Action:

The report is for noting, no specific actions are proposed.

Report:

1. International Standard on Auditing 260 requires the External Auditor to report to those charged with governance certain matters before they give an opinion on the Statutory Statement of Accounts. The External Auditor has indicated that their audit of the Council's Statutory Statement of Accounts for 2013/14 is nearly complete and that they wish to present their report to the Audit and Governance Committee on 25 September.

2. As the Annual Governance Report may contain issues that this Committee should be aware of, the report has been placed on this agenda.

Resource Implications:

None.

Legal and Governance Implications:

Any legal and governance implications will be set out by the external auditors in their report.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

Statutory Statement of Accounts and associated reports made to the Audit and Governance Committee and Full Council.

Risk Management:

If the Committee did not receive the Annual Governance Report they may be unaware of a significant issue raised by the External Auditor.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
5/09/14 Director of Resources	The report is to highlight any concerns arising from the external audit. It does not propose any change to the use of resources and so has no equalities implications.

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