Committee Agenda

Epping Forest District Council

Finance and Performance Management Cabinet Committee
Thursday, 22nd June, 2017

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, 22nd June, 2017**
at **7.30 pm** .

Glen Chipp
Chief Executive

Democratic Services Officer	R. Perrin Tel: (01992) 564532 Email: democraticservices@eppingforestdc.gov.uk

Members:

Councillors G Mohindra (Chairman), S Stavrou, A Lion, C Whitbread and J Philip

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 (Pages 3 - 8)

To confirm the minutes of the last meeting of the Committee held on 30 March 2017 (attached).

4. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972, requires 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.

5. KEY PERFORMANCE INDICATORS - 2016/17 QUARTER 4 (OUTTURN) PERFORMANCE (Pages 9 - 12)

(Director of Resources) To consider the attached report (FPM-001-2017/18).

6. ESSEX PENSION FUND INVESTMENT STRATEGY STATEMENT - CONSULTATION (Pages 13 - 60)

(Director of Resources) To consider the attached report (FPM-002-2017/18).

7. PROVISIONAL REVENUE OUTTURN 2016/17. (Pages 61 - 76)

(Director of Resources) To consider the attached report (FPM-003-2017/18).

8. PROVISIONAL CAPITAL OUTTURN 2016/17 (Pages 77 - 90)

(Director of Resources) To consider the attached report (FPM-004-2017/18).

9. RISK MANAGEMENT - CORPORATE RISK REGISTER (Pages 91 - 114)

(Director of Resources) To consider the attached report (FPM-005-2017/18).

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.

Background Papers: Article 17 - 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 and in respect of executive reports, the advice of any political advisor.

The Council will make available for public inspection for four years after the date of the meeting one copy of each of the documents on the list of background papers.

EPPING FOREST DISTRICT COUNCIL
COMMITTEE MINUTES

Committee:	Finance and Performance Management Cabinet Committee	**Date:**	Thursday, 30 March 2017
Place:	Committee Room 1, Civic Offices, High Street, Epping	**Time:**	7.00 - 7.27 pm

Members Present: Councillors G Mohindra (Chairman), S Stavrou, A Lion, C Whitbread and R Bassett

Other Councillors:

Apologies:

Officers Present: R Palmer (Director of Resources), R Perrin (Democratic Services Officer) and A Oladimeji (Homelessness Prevention Officer)

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50. Substitute Members

The Cabinet Committee noted that there were no substitute members for this meeting.

51. Declarations of Interest

There were no declarations of interest pursuant to the Council's Code of Member Conduct.

52. Key Performance Indicators 2016/17 Q3 Performance; 2017/18 review and targets

The Director of Resources presented a report on the Quarter 3, Key performance Indicators 2016/17.

The Director of Resources reported that the Council was required to make arrangements to secure continuous improvement in the way in which its functions and services were exercised, having regard to a combination of economy, efficiency and effectiveness. As part of the duty to secure continuous improvement, a range of Key Performance Indicators (KPI) relevant to the Council's service priorities and key objectives were adopted each year and performance against all of the KPIs was reviewed on a quarterly basis.

A range of thirty-six Key Performance Indicators (KPI) were adopted for 2016/17 in March 2016. The KPIs were important to the improvement of the Council's services and comprised a combination of former statutory indicators and locally determined performance measures. The aim of the KPIs was to direct improvement effort towards services and the national priorities and local challenges arising from the social, economic and environmental context of the district. Progress in respect all of the KPIs was reviewed by Management Board and Overview and Scrutiny at the conclusion of each quarter, and service directors reviewed the KPI performance with the relevant portfolio holder(s) on an on-going basis throughout the year. Select

Committees were each responsible for the review of quarterly performance against specific KPIs within their areas of responsibility.

The position with regard to the achievement of target performance for the KPIs at the end of the third quarter (31 December 2016) was as follows:

(a) 26 (70%) indicators had achieved the third quarter target;
(b) 11 (30%) indicators had not achieved the third quarter target, although 4 (11%) of KPIs performed within the agreed tolerance for the indicator; and,
(c) 31 (84%) indicators were currently anticipated to achieve the cumulative year-end target and a further 3 (8%) were uncertain whether they would achieve the cumulative year-end target.

The adoption of challenging but achievable KPIs each year was a key element of the Council's Performance Management Framework. The continued relevance of the existing KPI set for 2017/18 has recently been considered by Management Board and service directors had identified provisional targets for each indicator with the relevant portfolio holder(s), based on third-quarter performance (and the estimated outturn position) for the current year. The current KPIs were considered appropriate with the following changes:

- RES009, RES010, and RES011 – the website indicators to be deleted;
- COM006 - How many of the key building components required to achieve the Modern Homes Standard were renewed to be deleted; and
- There were no new indicators recommended for 2017/18.

Furthermore improvement plans would be developed for KPIs if and when they failed to achieve target and Management Board would also review the provisional targets for 2017/18 with any revisions to targets on the basis of the outturn position being reported to the Committee and the appropriate Select Committees in June 2017.

The Committee was requested to review Q3 performance for the 2016/17 set of KPIs and agree the proposed KPI set and targets for 2017/18.

Councillor G Mohindra commented that it had been disappointing that GOV007 (Appeals-Officers) would probably not meet its end of year target, although he was pleased to note that RES003 (Council Tax Collection) and RES004 (NNDR Collection) would meet their end of year targets.

Resolved:

(1) That the Quarter 3 performance for the Key Performance Indicators adopted for 2016/17 be noted;

(2) That the proposed Key Performance Indicators and targets for 2017/18 be agreed;

Reasons for Decision:

The KPIs provided an opportunity for the Council to focus attention on how specific areas for improvement would be addressed, and how opportunities would be exploited and better outcomes delivered. It was important that relevant performance management processes were in place to review and monitor performance against the key objectives, to ensure their continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of slippage or under performance.

Other Options Considered and Rejected:

No other options were appropriate in this respect. Failure to review and monitor performance could mean that opportunities for improvement were lost and might have negative implications for judgements made about the progress of the Council.

53. Quarterly Financial Monitoring

The Director of Resources presented the Quarterly Financial Monitoring report on the key areas of income and expenditure for the period covering 1 April 2016 to 31 December 2016. The reports were presented based on which directorate was responsible for delivering the services to which the budgets related and the budgets themselves were the Revised Estimate. The salaries monitoring data was presented as well as it represented a large proportion of the authorities expenditure and was an area where historically large under spends had been seen.

The Committee noted that the Salaries budget showed an underspend of £148,000 or 0.9%. Neighbourhoods showed the largest underspend of £64,000, which related mainly to Forward Planning and Grounds Maintenance and Resources showed an underspend of £59,000 which related to Revenues and Housing Benefits. The investment interest were a little lower than budgeted, which was partly due to a delay in the payment from Biffa for the loan and there was little speculation about when rates might go up and more about whether they would go lower still or even negative.

Within the Governance Directorate, Development Control income was continuing the recent upward trend with fees and charges £59,000 higher than the budget to date and pre-application charges in line with the updated position. The fees overall were £35,000 higher than expected and so it looked likely that the full year budget would be exceeded. Building Control income was £6,000 lower than the budgeted and income was £1,000 down. The revised position on the ring-fenced account was a lower in year deficit than originally predicted but there was a surplus from previous years to draw upon. There was a lot of scanning work required for Building Control files and it was proposed to use some of the accumulated surplus to finance this work over the next few years.

Within the Neighbourhoods Directorate, the Public Hire licence income and other licensing was above expectations, although the Public Hire figures included £27,000 relating to future years so in reality income relating to 2016/17 was £7,000 down. The income from MOT's carried out by Fleet Operations was £9,000 below expectations and had been affected by the uncertainty around the relocation to Oakwood Hill, although had recovered slightly since the autumn. The account itself was budgeted to be in deficit by £40,000 due to the additional security costs at Oakwood Hill which were a temporary measure and should reduce accordingly. The Car Parking income was £14,000 below the estimate, however there was some income relating to this period that had been not received until February. The Local Land Charge income was £1,000 above expectations, although the budget had been reduced as there had been fewer searches undertaken. The actual for Recycling income was low when compared to expectations, although October credits expected in month 9 would not be received until January. In December 2016, the Cabinet agreed to some additional funding for the Waste Management contract and some of this expenditure was still due to be invoiced.

Within the Communities Directorate, expenditure and income relating to Bed and Breakfast placements had increased with the majority eligible for Housing Benefit. Whilst some of the costs would be reimbursed by the Department for Work and

Pensions, it would be only around 50% which would leave a similar amount to be funded from the General Fund. Growth of £28,000 had been included in 2016/17 for the additional costs though this now looked insufficient.

The Housing Repairs Fund showed an underspend of £510,000 and there were underspends showing on both Planned Maintenance and Voids work. There was also a variance on HRA Special Services which related partly to grounds maintenance and sheltered units.
This was the fourth year of operation for the Business Rates Retention Scheme whereby a proportion of rates collected were retained by the Council. The two aspects that were monitored were changes in the rating list and the collection of cash.

The resources available from Business Rates for funding purposes were set in the January preceding the financial year in question and once these estimates were set the funding available for the year was fixed. Any variation arising from changes to the rating list or provision for appeals, would not affect until future years and for 2016/17 the funding retained by the authority after allowing for the Collection Fund deficit from 2015/16 was £3,435,000. This exceeded the government baseline of £3,050,000 by some £385,000 and the actual position for 2016/17 would not be determined until May 2017. The cash collection at the end of December was £27,901,642 and payments out were £25,910,238, meaning the Council was holding £1,991,404 of cash and so the Council's overall cash position was benefitting from the effective collection of non-domestic rates.

There were three projects included on the Major Capital Schemes schedule which related to the House Building packages 1 and 2 and The Epping Forest Shopping Park.

In conclusion, the income was generally up on expectations and expenditure down. The increased income levels were very much welcomed from Development Control and the expenditure being below budget was not surprising as expenditure was usually heaviest towards the end of the financial year. The Committee were asked to note the position on both the revenue and capital budgets.

The Committee enquired whether there were any critical jobs vacancies with the Salaries underspend, particularly with regards to Forward Planning. The Director of Resources advised that there were not any critical jobs that were vacant, although most of the Forward Planning Team were consultants and this could change with the IR35 changes to employment.

Furthermore, the Committee was also very concerned with costs associated with the MOT's carried out by the Fleet Operations and the addition costs that had been accumulated due to the security requirements. Councillor Mohindra asked that further information be reported to the Committee on what were the actual costs of additional security, what lessons had been learnt and would this be sufficient for the future requirements. Members felt that the MOT section now needed to start to break even and generate income for the Council going forward.

Resolved:

(1) That the Quarterly Revenue and Capital Financial Monitoring Report for 1 October 2016 to 31 December 2016 be noted; and

(2) That additional information on the security issues and costs associated at Oakwood Hill depot be reported back to Members.

Reasons for Decision:

To note the third quarter financial monitoring report for 2016/17.

Other Options Considered and Rejected:

No other options available.

54. Risk Management - Corporate Risk Register

The Director of Resources presented a report regarding the Council's Corporate Risk Register.

The Corporate Risk Register had been considered by both the Risk Management Group on 9 March 2017 and Management Board on 15 March 2017. The reviews identified amendments to the Corporate Risk Register but no additional risks or scoring changes. The amendments were as follows;

(1) Risk 2 - Strategic Sites

The Effectiveness of controls/actions had been amended to advise the updated position for the key sites which included work continuing to progress well at the Winston Churchill site, a tri-partite agreement with the developer and Town Council progressing for the St. Johns site and construction at Langston Road continuing ahead of schedule, although issues with the highways works were to be reviewed with the Highway Authority. A report on the covenants and appropriations had been presented to Cabinet on 9 March 2017 for Waltham Abbey Leisure Centre.

(2) Risk 4 - Finance Income

The Vulnerability had been amended to advise there were likely to be further reductions to Government financing despite a four year settlement being in place. The key date had been amended to 20 July 2017 for the update of the Medium Term Financial Strategy.

The Director of Resources advised that the Committee undertook an annual review of the Risk Management Terms of Reference, Strategy and Policy Statement and were asked to note the annual review of the corporate risk management documents.

Recommended:

1. That the Effectiveness of controls/actions and Required further management action for Risk 2 be updated;

2. That the Vulnerability and Key date for Risk 4 be updated;

3. That, including the above changes, the amended Corporate Risk Register be recommended to Cabinet for approval.

4. That the Risk Management Strategy and Policy Statement be recommended to Cabinet for adoption; and

Resolved:

5. That the Terms of Reference of the Risk Management Group be noted.

Reasons for Decisions:

It was essential that the Corporate Risk Register was regularly reviewed and kept up to date.

Other Options for Considered and Rejected:

Members may suggest new risks for inclusion or changes to the scoring of existing risks.

55. Any Other Business

Resolved:

That, as agreed by the Chairman of the Cabinet Committee and in accordance with Section 100B(4)(b) of the Local Government Act 1972, the following items of urgent business be considered following the publication of the agenda:

(a) Minutes – 6 March 2017.

56. MINUTES

Resolved:

That the minutes of the meeting held on 6 March 2017 be taken as read and signed by the Chairman as a correct record.

CHAIRMAN

Report to: Finance and Performance Management Cabinet Committee

Report Reference: FPM-001-2017/18
Date of Meeting: 22 June 2017

Epping Forest District Council

Portfolio: Governance and Development Management

Subject: Key Performance Indicators - 2016/17 Quarter 4 (Outturn) Performance

Officer contact for further information: Monika Chwiedz (01992 562076)

Democratic Services Officer: Rebecca Perrin (01992 564532)

Recommendations/Decisions Required:

(1) That the Committee reviews Quarter 4 performance for the Key Performance Indicators adopted for 2016/17;

(2) That the Committee identify any Key Performance Indicators for 2016/17, that require in-depth scrutiny or further report on progress achieved.

Executive Summary:

The Council is required to make arrangements to secure continuous improvement in the way in which its functions and services are exercised, having regard to a combination of economy, efficiency and effectiveness. As part of the duty to secure continuous improvement, a range of Key Performance Indicators (KPI) relevant to the Council's service priorities and key objectives, is adopted each year. Performance against all of the KPIs is reviewed on a quarterly basis.

Reasons for Proposed Decision:

The KPIs provide an opportunity for the Council to focus attention on how specific areas for improvement will be addressed, and how opportunities will be exploited and better outcomes delivered. It is important that relevant performance management processes are in place to review and monitor performance against the key objectives, to ensure their continued achievability and relevance, and to identify proposals for appropriate corrective action in areas of slippage or under performance.

Other Options for Action:

No other options are appropriate in this respect. Failure to review and monitor performance could mean that opportunities for improvement are lost and might have negative implications for judgements made about the progress of the Council.

Report:

1. A range of thirty-seven Key Performance Indicators (KPI) was adopted for 2016/17 in March 2016. The KPIs are important to the improvement of the Council's services and comprise a combination of former statutory indicators and locally determined performance

measures. The aim of the KPIs is to direct improvement effort towards services and the national priorities and local challenges arising from the social, economic and environmental context of the district.

2. Progress in respect all of the KPIs is reviewed by Management Board and overview and scrutiny at the conclusion of each quarter, and service directors review KPI performance with the relevant portfolio holder(s) on an on-going basis throughout the year. Select Committees are each responsible for the review of quarterly performance against specific KPIs within their areas of responsibility.

3. Improvement plans are produced for all of the KPIs each year, setting out actions to be implemented in order to achieve target performance, and to reflect changes in service delivery. In view of the corporate importance attached to the KPIs, the improvement plans are agreed by Management Board and are also subject to ongoing review between the relevant service director and Portfolio Holder over the course of the year.

Key Performance Indicators 2016/17 – Quarter 4 Performance

4. The position with regard to the achievement of target performance for the KPIs at the end of the year (31 March 2017), was as follows:

(a) 28 (75%) indicators achieved the cumulative end of year target; and
(b) 9 (25%) indicators did not achieve the cumulative end of year target, although
(c) 3 (8%) of these KPIs performed within the agreed tolerance for the indicator.

5. Outturn performance against the indicator set for this year is same as last year when 27 (75%) of the 36 indicators achieved target.

6. A headline Q4 KPI performance report for 2016/17 is attached for the consideration of the Committee as Appendix 1 to this agenda. Detailed performance reports in respect of each of the KPIs are being considered by the individual select committees.

7. The ‘amber’ performance status used in the KPI report identifies those indicators that missed the agreed target for the year, but where performance was within an agreed tolerance or range (+/-).

8. The Committee is requested to review outturn performance for the 2016/17 set of KPIs. Any matters raised by the Committee in respect of KPI performance, will be reported to the appropriate select committee.

Resource Implications: None for this report
Legal and Governance Implications: None for this report; however performance management of key or new high level initiatives is important to the achievement of value for money.
Safer, Cleaner, Greener Implications: None for this report
Consultation Undertaken: The indicators have been considered by Management Board during May 2017, and individual Select Committees during June and July 2017.
Background Papers: KPI submissions are held by the Performance Improvement Unit. Detailed KPI calculations and supporting documentation held by service directorates.
Impact Assessments:
Risk Management: None for this report.

Epping Forest District Council Key Performance Indicators 2016/17 - Year-end Summary Dashboard & Performance Report:

Overall summary of KPIs achieving target	Communities Directorate	Governance Directorate	Neighbourhoods Directorate	Resources Directorate

Headlines - Reflecting on our performance

Q4 (2016/17) There are 37 KPIs for this year.

28 (75%) achieved target and 9 (25%) missed target, however of those missing target 3 (8%) performed within their amber tolerance.

1 less indicator is achieving performance at the end of the year compared with quarter 3.

Quarterly Indicators		Quarter 1 Tgt	Quarter 1 Actual	Quarter 2 Tgt	Quarter 2 Actual	Quarter 3 Tgt	Quarter 3 Actual	Quarter 4 Tgt	Quarter 4 Actual	Is year-end target likely to be achieved?
Communities Quarterly KPIs										
COM001	(Housing rent) (%)	99.00%	101.59%	99.00%	100.13%	99.00%	100.07%	99.00%	100.3...	Yes
COM002	(Void re-lets) (days)	37	49	37	42	37	39	37	38	No
COM003	(Tenant satisfaction) (%)	98.00%	100.00%	98.00%	100.00%	98.00%	99.65%	98.00%	99.44%	Yes
COM004	(Temp. accommodation) (no.)	140	103	140	111	140	101	140	116	Yes
COM005	(Non-decent homes) (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Yes
COM006	(Modern Homes Std) (%)	825	587	1,650	1,414	2,475	2,116	3,300	2,806	No
COM007	(Emergency repairs) (%)	99.00%	99.15%	99.00%	99.14%	99.00%	99.19%	99.00%	99.21%	Yes
COM008	(Responsive repairs) (days)	7.00	4.87	7.00	5.15	7.00	5.58	7.00	5.81	Yes
COM009	(Emergency repairs) (%)	98.00%	98.00%	98.00%	98.00%	98.00%	98.00%	98.00%	98.15%	Yes
COM010	(Calls to Careline) (%)	97.50%	99.90%	97.50%	99.80%	97.50%	99.80%	97.50%	99.86%	Yes
Governance Quarterly KPIs										
GOV004	(Major planning) (%)	90.00%	92.86%	90.00%	95.65%	90.00%	93.33%	90.00%	95.24%	Yes
GOV005	(Minor planning) (%)	90.00%	88.68%	90.00%	90.71%	90.00%	92.11%	90.00%	92.24%	Yes
GOV006	(Other planning) (%)	94.00%	94.69%	94.00%	95.85%	94.00%	95.43%	94.00%	94.84%	Yes
GOV007	(Appeals - officers) (%)	20.0%	21.4%	20.0%	25.0%	20.0%	27.1%	20.0%	22.2%	No
GOV008	(Appeals - members) (%)	50.0%	57.1%	50.0%	62.5%	50.0%	70.0%	50.0%	66.7%	No
Neighbourhoods Quarterly KPIs										
NEI001	(Non-recycled waste) (kg)	95	101	196	195	296	306	400	415	No
NEI003	(Litter) (%)	8%	8%	8%	8%	8%	9%	8%	6%	Yes
NEI004	(Detritus) (%)	10%	10%	10%	9%	10%	9%	10%	4%	Yes
NEI005	(Neighbourhood issues) (%)	95.50%	98.82%	95.50%	99.16%	95.50%	98.80%	95.50%	98.79%	Yes
NEI006	(Fly-tip investigations) (%)	92.00%	99.39%	92.00%	99.01%	92.00%	98.63%	92.00%	98.08%	Yes
NEI007	(Fly-tip: contract) (%)	90.00%	93.72%	90.00%	91.74%	90.00%	91.51%	90.00%	91.91%	Yes
NEI008	(Fly-tip: non-contract) (%)	90.00%	94.67%	90.00%	95.22%	90.00%	94.24%	90.00%	94.11%	Yes
NEI009	(Noise investigations) (%)	90.00%	88.76%	90.00%	90.95%	90.00%	92.38%	90.00%	92.22%	Yes
NEI010	(Increase in homes) (no.)	41	23	69	68	87	114	230	131	Yes
NEI011	(Commercial rent arrears) (%)	2.5%	2.0%	2.5%	2.0%	2.5%	1.8%	2.5%	1.8%	Yes
NEI012	(Commercial premises let) (%)	98.00%	98.89%	98.00%	98.15%	98.00%	97.42%	98.00%	97.79%	Yes
NEI013	(Waste recycled) (%)	30.00%	22.00%	30.00%	26.09%	30.00%	25.00%	30.00%	26.93%	No
NEI014	Waste composted (%)	30.00%	37.64%	30.00%	35.00%	30.00%	33.15%	30.00%	30.32%	Yes
Resouces Quarterly KPIs										
RES001	(Sickness absence) (days)	1.90	1.50	3.64	2.98	5.24	5.03	7.50	6.71	Yes
RES002	(Invoice payments) (%)	97%	98%	97%	97%	97%	97%	97%	96%	No
RES003	(Council Tax collection) (%)	27.27%	27.61%	51.99%	52.65%	77.09%	78.00%	97.00%	98.00%	Yes
RES004	(NNDR Collection) (%)	28.48%	28.83%	53.46%	53.25%	78.67%	78.02%	97.70%	97.75%	Yes
RES005	(New benefit claims) (days)	22.00	21.28	22.00	22.72	22.00	21.98	22.00	21.83	Yes
RES006	(Benefits changes) (days)	6.00	6.91	6.00	7.62	6.00	7.69	6.00	4.77	Yes
RES009	(Website Availability) (%)	99.60%	99.82%	99.60%	99.89%	99.60%	99.73%	99.60%	99.79%	Yes
RES010	(Website Broken Links) (%)	95.00%	99.89%	95.00%	100.00%	95.00%	100.00%	95.00%	97.70%	Yes
RES011	(Website Navigation) (%)	79.90%	80.51%	79.90%	80.42%	79.90%	80.34%	79.90%	80.42%	Yes

Report to the Finance and Performance Management Cabinet Committee

Report Reference: FPM-002-2017/18
Date of meeting: 22 June 2017

Epping Forest District Council

Portfolio: **Finance**

Subject: **Essex Pension Fund Investment Strategy Statement – Consultation**

Officer contact for further information: **Bob Palmer – (01992 – 564279)**

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

Recommendations/Decisions Required:

To consider the draft Investment Strategy Statement and agree any response that the Committee wishes to make to the consultation.

Executive Summary:

Essex County Council is the administering authority for the local government pension scheme for employers based in Essex. This function is discharged through a Pension Board, which in turn has delegated the responsibility for setting and monitoring the investment strategy to the Investment Steering Committee. The Investment Strategy Statement is reviewed every three years and as part of the review stakeholders are consulted on the content of the Statement.

The draft Investment Strategy Statement is attached and Member's views are requested.

Reasons for Proposed Decisions:

To determine if the Committee agrees with the proposals set out in the draft Investment Strategy Statement.

Other Options for Action:

Members may decide not to respond to the consultation.

Report:

1. On 27 April Essex County Council issued the attached draft Investment Strategy Statement (ISS) to stakeholders for consultation. The consultation was set to close on 31 May and this meant it would not be possible for the document to be formally considered by a Member meeting. The Director of Resources raised this with the Director of the Pension Fund and the consultation period has now been extended to 26 June.

2. The draft ISS has been prepared by the Investment Steering Committee based on advice from the Pension Fund's consultant, Hyman Robertson LLP, and its investment adviser, Mark Stevens. The most significant changes in the draft strategy, compared to the current strategy, are set out below.

3. The Government has instructed pension funds to work together to reduce the costs of administration and the fees paid to external fund managers. Essex is one of eleven funds participating in the ACCESS Pool (A Collaboration of Central, Eastern and Southern Shires).

These new arrangements will be put in place during 2017 and are set out on pages 5 and 6 of the draft ISS.

4. The Local Government Pension Scheme Regulations 2016 have required an expansion of the section covering Environmental, Social and Governance Considerations. These are set out on pages 7 and 8 of the draft ISS. The first section setting out the fiduciary duty of the fund is new. An additional paragraph has been added to the end of the Policy section, this makes it clear that investment decisions will be left to investment managers to take based on purely financial grounds. The Investment Steering Committee will not seek to restrict new investments or require investment managers to divest existing holdings.

5. The section on the exercise of voting rights has been expanded, with the first and third paragraphs being new. There is a new section on Engagement which sets out the Fund's expectations for the factors that investment managers will take into account in making their decisions. This section further emphasises the point that divesting should not be pursued as the Fund can more effectively influence the behaviour of big companies by remaining invested over the long term. The final addition is a section covering Ongoing Monitoring which sets out how the ISC will monitor and challenge investment managers.

6. In considering the proposed changes Members should bear in mind the effectiveness of the fund management. The most recent actuarial valuation of the fund as at March 2016 showed a funding level of 89% (89% of the liabilities were covered by the assets) which was a significant improvement from the 2013 position of an 80% funding level. The fund has also won several awards in recent years, including the Pension Administration Award in February 2017, the Public Sector Pension Scheme of the Year in September 2015 and the LGC Investment Award for Fund of the Year in February 2014.

7. Member's views on the draft ISS are requested.

Resource Implications:
No additional resource requirements.

Legal and Governance Implications:
The Pension Fund is required to consult with stakeholders when amending its Investment Strategy Statement.

Safer, Cleaner, Greener Implications:
An argument could be made that the Pension Fund should more actively seek to influence the behaviour of big companies to be more environmentally friendly. The Engagement section states the expectation that investment managers will take account of social, environmental and ethical considerations in the selection, retention and realisation of investments.

Consultation Undertaken:
None.

Background Papers:
None.

Impact Assessments:

Risk Management
It is evident from the draft ISS that the Pension Fund has a prudent and well thought out approach to risk management.

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Equality analysis report

Step 1. About the policy, service change or withdrawal

Name of the policy, service or project:	**Response to Consultation by Essex Pension Fund on Investment Strategy Statement**
Revised / new / withdrawal:	New
Intended aims / outcomes/ changes:	Provide comments on proposed Investment Strategy Statement.
Relationship with other policies / projects:	None.
Name of senior manager for the policy / project:	Bob Palmer, Director of Resources
Name of policy / project manager:	Peter Maddock, Assistant Director Accountancy

Step 2. Decide if the policy, service change or withdrawal is equality relevant

Does the policy / project / service process involve, or have consequences for employees or other people? If yes, please state who will be affected. If yes, then the policy / project is equality relevant. If no, state your reasons for this decision. Go to step 7. *The majority of Council policies and projects are equality relevant because they affect employees or our communities in some way.*	No as the purpose of the report is to comment on another organisation's strategy.

Step 7. Documentation and Authorisation

Summary of actions to be taken as a result of this analysis (add additional rows as required):	**Name and job title of responsible officer**
None, as the analysis above has determined that no actual or likely adverse impacts would arise as a result of this project.	Not applicable as no actions identified.

Name and job title of officer completing this analysis:	Peter Maddock Assistant Director Accountancy
Date of completion:	06/06/2017
Name & job title of responsible officer:	Bob Palmer Director of Resources
Date of authorisation:	06/06/2017

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INVESTMENT STRATEGY STATEMENT

ESSEX PENSION FUND

MARCH 2017

CONTENTS

Introduction and background

This is the Investment Strategy Statement (the "Statement") of the Essex Pension Fund, which is administered by Essex County Council (the "Scheme Manager") as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "2016 Regulations") in accordance with the guidance issued by Secretary of State.

Essex County Council is the Administering Authority for the Fund under the Regulations. In 2008, a Pension Board was established to exercise on behalf of Essex County Council all the powers and duties of the Council in relation to its functions as Administering Authority of the Essex Pension Fund, except where they have been specifically delegated by the Council to another Committee or an officer. Responsibility for setting and monitoring investment strategy has been specifically delegated to the Essex Pension Fund Investment Steering Committee ("ISC"). Responsibility for the day to day management of the Fund has been delegated to the Section 151 Officer ("s151O") and the Director for Essex Pension Fund.

This statement has been prepared by the ISC having taken appropriate advice from the Fund's Institutional Consultant, Hymans Robertson LPP, and its Independent Investment Adviser, Mark Stevens. The responsibilities of relevant parties are set out in appendix A.

The Statement is subject to periodic review at least every three years and from time to time on any material change in investment policy or other matters as required by law. The ISC has consulted on the content of this Statement with its stakeholders. The Statement is also subject to review by the Essex Pension Fund Advisory Board (PAB) which was established as the Local Pension Board for Essex in accordance with section 5 of the Public Service Pension Act 2013 and Part 3 of the LGPS Regulations 2013.

Investment strategy and the process for ensuring suitability of investments

Fund Objective

The primary objective of the Fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

The funding objective adopted for the Essex Pension Fund is to ensure that the assets of the Pension Fund, when taken in conjunction with future contributions, are sufficient to ensure that all future pension and retirement benefits will be fully covered by the Fund's assets when they fall due.

This primary objective has been converted to a number of funding objectives, as set out in the Fund's Funding Strategy Statement (FSS). The purpose of the FSS is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the desirability of maintaining as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

The funding position will be reviewed by the Essex Pension Fund Strategy Board (PSB) at each triennial actuarial valuation, with interim reviews occurring in the years between triennial valuations.

Funding Level

The funding level of the Pension Fund is the value of the Fund's assets expressed as a percentage of the Fund's liabilities at the most recent actuarial valuation of the Fund. The funding level at March 2016 was 89%. The Funding Strategy provides for the Fund to return to a fully funded position over a period of 15 years. In accordance with the Funding Strategy Statement, the PSB determined the rate of contributions payable by each of the employers in the Fund for the three years starting 1 April 2017.

Investment Beliefs

The ISC has adopted 4 core investment beliefs covering the following areas:

- Long Term Approach;
- Diversification;
- Benchmarks; and
- Active vs Passive Management.

Details are set out in appendix B.

Investment Strategy

The Fund is maturing and analysis has been undertaken to forecast when new contributions (employees and employers including deficit) are not enough to meet all benefit payments falling due. This is normal for a pension scheme and reflects the purpose of the Fund (accumulate monies and then pay it out in benefits).

In order to meet the short to medium term cashflow requirements, the Investment Steering Committee at its 23 February 2015 meeting agreed to realise income from L&G's UK assets and Aviva's property portfolio.

Realised income may be held in cash short term in order to meet a proportion of benefit payments.

The initial requirements are small (c. 0.5% of total Fund assets) and is expected to be more than met by the income on assets. There should be no need to disinvest the capital value of any asset. The time at which the sale of assets will become a requirement will be subject to periodic review.

The Fund is therefore still in a position to target a predominantly growth-based strategy, with the aim of maximising asset value in the long term within agreed risk levels, which takes into account liquidity requirements.

There are varying levels of diversification between different asset classes to ensure that the value of the Pension Fund when taken in conjunction with future contributions is sufficient to ensure that all future pension and retirements benefits will be fully covered by the Fund's assets when they fall due, whilst managing the Fund within the ISC's risk appetite.

Asset Allocation

The Fund has an 87% allocation to 'growth' (equities and alternatives) assets in order to meet the long term funding assumptions set out in the 2016 actuarial valuation.

The Fund's investments are allocated across a range of asset classes. The largest allocation is to equities which also accounts for the majority of the investment risk taken by the Fund. Over the long term, equities are expected to outperform other liquid asset classes, particularly bonds. Allocation to asset classes other than equities and bonds, allows the Fund to gain exposure to other forms of return which can help to reduce the overall volatility of the portfolio. These assets are in the main negatively correlated to equities and are expected to generate returns broadly similar over the long term and so allocation to these can maintain the expected return and assist in the management of volatility.

The 13% allocation to bonds is designed to manage overall levels of funding volatility within agreed levels.

Investment Allocation

The Committee has translated its objectives into a suitable strategic asset allocation benchmark and structure for the Fund (set out in appendix C), taking into account both the liability structure and the objectives set out above. The Fund benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities.

The Committee monitors investment strategy relative to the agreed asset allocation benchmark. In addition to on-going monitoring, the investment strategy is formally reviewed every six months at Committee meetings set aside for that purpose. Furthermore, specific consideration is given to investment strategy in the light of information arising from each triennial actuarial valuation.

Investment managers

The Committee has appointed a number of active and passive investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business.

The Committee, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles and a mix of asset types across a range of geographies in order to provide diversification of returns.

The managers appointed, and the mandates they manage, are detailed in appendix C. Appendix D details the objectives and investment rationale of the mandates.

Types of investment to be held

The investment managers are required to comply with LGPS investment regulations. The Fund may invest in quoted and unquoted securities of UK and overseas markets, including equities, fixed interest and index linked bonds, cash, property, commodities, infrastructure, timber and loans either directly, through pooled funds or via partnership agreements.

The Fund may also make use of contracts for difference and other derivatives either directly or in pooled funds when investing in these products, for the purpose of efficient portfolio management or to hedge specific risks. The Committee considers all of these classes of investment to be suitable in the circumstances of the Fund.

Currency hedging

The Fund, to reduce the volatility associated with fluctuating currency rates (currency risk), has put in place a passive currency programme which is managed by Legal and General Investment Management. The Fund hedges 50% of its major overseas currency exposure within the equity portfolio.

Investment Managers have discretion to utilise hedges for risk management purposes.

Risk measurement and management

Risk

The Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. These risks are set out and monitored as part of a formal risk register. An extract of the risk register relating to funding and investment is included in Appendix E. However, in summary, the principal risks affecting the Fund (including their reference code within the risk register) are:

Funding risks:

- Financial mismatch – F1. The risk that Fund assets fail to grow in line with the developing cost of meeting Fund liabilities. F8. The risk that unexpected inflation increases the pension and benefit payments and the Fund assets do not grow fast enough to meet the increased cost.
- Changing demographics – F4. The risk that longevity improves and other demographic factors change increasing the cost of Fund benefits.
- Systemic risk - I2 & F3. The possibility of an interlinked and simultaneous failure of several asset classes and/or investment managers, possibly compounded by financial ‘contagion’, resulting in an increase in the cost of meeting Fund liabilities.

Asset risks:

- Concentration – I1 & I2. The risk that significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- Illiquidity – I11. The risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- Manager underperformance – I6. The failure by the fund managers to achieve the rate of investment return assumed in setting their mandates.

Other provider risks – I13:

- Transition risk - The risk of incurring unexpected costs in relation to the transition of assets among managers. When carrying out significant transitions, the ISC takes professional advice and considers the appointment of specialist transition managers.
- Custody risk - The risk of losing economic rights to Fund assets, when held in custody or when being traded.
- Credit default - The possibility of default of a counterparty in meeting its obligations.

Mitigations:

The approach the ISC adopts to managing these risks is also addressed in Appendix E. However, in general terms, the risks are managed via a combination of:

- The appointment of professional advisers to assist the ISC in managing these risks;

- Agreed processes and guidelines for consideration and monitoring of the investments;
- Specific limits on individual investments;
- Ensuring the expected return from the investment strategy is consistent with the assumptions made by the Actuary in valuing the Fund;
- Assessments of the levels of risk taken by the Fund;
- Diversification across asset classes and managers; and
- Regular review and monitoring.

Full descriptions of these risks, including the mitigating actions taken by the ISC, are set out in appendix E.

Expected return on investments

Over the long term, the overall level of investment return is expected to exceed the rate of return assumed by the Actuary in valuing the Fund and setting funding requirements.

Realisation of investments

The majority of assets held within the Fund may be realised quickly if required. The Committee monitors both the level of liquid assets and the liquidity requirements of the Fund.

Asset pooling

Overview

The Fund is one of eleven participating Fund's in the ACCESS Pool (A Collaboration of Central, Eastern & Southern Shires) along with Cambridgeshire, East Sussex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex.

All eleven funds are committed to collaboratively working together to meet the government's criteria for pooling and have signed a Memorandum of Understanding to underpin their partnership.

The proposed structure and basis on which the ACCESS Pool will operate in order to meet the Governments criteria was set out in the July 2016 submission to Government. A copy of the submission is available on the ACCESS website at www.accesspool.org

The participating authorities have a clear set of objectives and principles that will drive decision-making and help shape the design of the Pool. These underpin the design of the project plan that the ACCESS Funds are working towards.

The first arrangements to be brought under the ACCESS structure will be the passively managed assets. Arrangements are due to be put in place over the course of 2017.

Assets to be invested inside the Pool

The Fund's intention is to invest its assets through the ACCESS Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government. The key criteria for assessment of Pool solutions will be as follows:

1. That the Pool enables access to an appropriate solution that meets the objectives and benchmark criteria set by the Fund
2. That there is a clear financial benefit to the Fund in investing in the solution offered by the Pool, should a change of provider be necessary.

The Fund is monitoring developments with a view to transitioning liquid assets across to the Pool when are suitable sub-funds to meet the Fund's investment strategy requirements are in place.

Any assets not currently invested in the ACCESS Pool will be reviewed at least every three years to determine whether the rationale remains appropriate, and whether it continues to demonstrate value for money.

The Essex Pension Fund is working towards the expectation that over time all investments will be pooled with the exception of direct property and operational cash. The table below sets out the rationale.

Assets to be invested outside the Pool

Asset Class	**Manager**	**Strategic Allocation %**	**Reason for not investing in the ACCESS Pool**
Direct Property	Aviva Investors	Up to 12%	• Investment manager skill is a major determinant of returns. The availability of quality investment managers for a large mandate is untested. • The portfolio has been built to specific risk and return requirements • Portfolio designed to account for target holding sizes, to reflect the total portfolio size and achieve the required level of diversification • Moving holdings to part of a bigger direct portfolio would have significant cost implications such as Stamp Duty Land Tax (SDLT) • To reshape the portfolio to meet new objectives would be inconsistent with the value for money criteria • Project Pool analysis showed that increasing direct mandate size does not result in incremental cost savings
Operational Cash	In-house	n/a	A reasonable level of operational cash will be required to maintain efficient administration of scheme. This will be held in house as ECC will need to manage cashflow to meet statutory liabilities, including monthly pension payroll payments.

This will be reviewed periodically by the ISC.

Environmental, Social & Governance Considerations

Fiduciary duty

The fundamental responsibility of the Fund is to ensure that it has adequate monies available to pay pensions as they fall due. This objective must be achieved in a cost effective way for members, employers and the taxpayer. Moreover, in reaching decisions, the Fund must comply with its fiduciary responsibilities.

Policy

The ISC does not place restrictions on investment managers in choosing investments in quoted companies except in limiting the size of single investments. The ISC expects investment managers to place their primary consideration on financial factors when selecting investments for inclusion in the portfolio, as an assessment of appropriate ESG capability is made before the manager is appointed.

However, the ISC will allow investment managers to consider non-financial factors in selecting investments providing that such decisions are not expected to:

1. be financially detrimental to the Fund (either in terms of expected return or risk) or;
2. represent significant opportunity cost if not held.

In general the ISC expects the selection of stocks based on a significant degree of non-financial reasons to be extremely rare and reserves the right to intervene on a case by case basis. Intervention is likely to be extremely rare as companies are aware of the increasing sensitivity of investors.

The ISC has determined that restricting investment may be of financial detriment to the Fund depending on price and outlook. Hence pursuing divestment goes against the Committee's fiduciary duty and responsibilities to maximise returns and manage costs for participating employers who ultimately bear the investment risk should a shortfall arise.

Exercise of voting rights

The Fund has instructed its Fund Managers to vote in accordance with their in house policies and practices.

The Fund fully supports the UK Stewardship Code and requires those of its investment managers who hold shares on its behalf to comply with it or to provide the ISC with an explanation of why it is not appropriate to do so, in the exercise of the mandate that they have been given, and how they will instead achieve and demonstrate the same level of responsible share ownership.

The Fund's equity investment managers are signatories to the UK Stewardship Code and have all gained a Tier 1 status (demonstrating a good quality and transparent description of their approach to stewardship and explanations of an alternative approach where necessary).

Engagement

The Fund expects its investment managers to take account of social, environmental and ethical considerations in the selection, retention and realisation of investments as an integral part of the normal investment research and analysis process. This is insofar as these matters are regarded as impacting on the current and future valuations of individual investments. The Fund believes taking account of such considerations forms part of the investment managers' normal fiduciary duty.

Instead of divesting, the ISC believes that they will have greater influence on the future direction of companies if they remain invested. Overall engagement activities are viewed by the Committee as a key element of the broader approach to responsible investment. Remaining invested provides the Fund with a voice on how companies are generating their revenues and how they will change in the future.

The Fund is a long term investor and therefore has an interest in the long term direction and success of the companies in which it invests. Divestment reduces the Fund's ability to influence how big companies change in the future.

Ongoing Monitoring

The Committee actively monitors the Fund's investment managers' approaches. As part of this regular manager monitoring, the ISC will challenge their managers on how they consider and manage all financial risks faced by their investments, including those that arise from ESG considerations. The Committee also strives to improve and develop their knowledge and understanding on how ESG factors will impact the Fund's investments in the future.

Stock Lending

The policy on stock lending (below) reflects the nature of the mandates awarded to investment managers by the ISC, which include both pooled and segregated mandates:

Segregated Investments

The Fund does not participate in stock lending schemes nor allow its stock to be lent.

Pooled Investments

In regard to the Fund's pooled investments, where the Fund is buying units in a pooled vehicle, stock lending is outside the control of the Fund and undertaken at the discretion of the pooled fund manager.

Appendix A – Responsibilities

ISC Responsibilities

- To approve and annually review the content of the ISS.
- To appoint and review investment managers, custodian and advisors.
- To assess the quality and performance of each investment manager annually in conjunction with investment advisers and Section 151 Officer.
- To set the investment parameters within which the investment managers can operate and review these annually.
- To monitor compliance of the investment arrangements with the ISS.
- To assess the risks assumed by the Fund at a global level as well as on a manager by manager basis.
- To approve and review the asset allocation benchmark for the Fund.
- To submit quarterly reports on its activities to the Essex Pension Fund Strategy Board.
- To approve and annually review the content of the Pension Fund Treasury Management Strategy

Section 151 Officer ('S151O') Responsibilities

- To manage the Pension Fund including the power to seek professional advice and to devolve day-to-day handling of the Fund to professional advisers within the scope of the Pensions Regulations.
- To provide a training plan for the members of the ISC (and the Strategy and Advisory Boards).

Custodian Responsibilities

- To safeguard all segregated assets (excluding direct property holdings, unitised holdings and cash held separately with either the Administering Authority or investment managers) within the Fund and ensure that all associated income is collected, including dividends and tax reclaims. Also to ensure that corporate actions affecting the securities are dealt with, including rights issues, bonus issues and acquisitions.
- To provide regular statements of transactions, corporate actions, income and asset valuations as required by the Administering Authority.
- To report to the ISC in person on the assets of the Fund if required.
- To inform the Fund of any areas of concern which arise in its dealings with investment managers.
- To report the performance of the Fund's assets

External Advisers

Hymans Robertson

- To provide advice to the Fund on investment strategy, asset allocation, benchmark selection and design, investment management structure, legislative changes impacting on the Fund and current emerging issues.
- To prepare and present a report, based on information supplied by the Fund's custodian, on the annual investment performance of the Fund.
- To carry out on behalf of the Fund, when required, the functions of manager selection and manager monitoring.
- To carry out asset/liability modelling studies when required.
- To provide expert commentary on the economy and investment market.
- To attend and advise at all meetings of the ISC and all meetings arranged between its officers, advisers and managers.
- To assist the ISC in its annual review of asset allocation, investment management structure, SIP and Funding Strategy Statement.

Independent Investment Adviser

- To assist the officers of the Fund in the determination of agendas and papers for the meetings of the ISC.
- In consultation with the officers of the Fund, to identify investment issues of strategic importance to the Fund and arrange for their consideration by the ISC e.g. asset allocation, and investment, management structure.
- In conjunction with the officers of the Fund, to keep under review the individual investment managers and where necessary put forward proposals for their management, including where appropriate their dismissal.
- To assist the officers of the Fund, where requested, in manager searches and other Fund procurement exercises.
- To assist the ISC in keeping under review its statutory publications.
- When requested by the officers, to attend and participate in monitoring, reviewing and briefing meetings arranged with investment managers, limited partners etc.

Audit Responsibilities

The Fund is subject to review by both the County Council's External Auditors (EY) and internally by Internal Audit.

The Pension Fund financial statements contained in the Council's Annual Statement of Accounts present fairly:

- the financial transactions of its Pension Fund during the year; and
- the amount and disposition of the Fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

The External Auditor audits the Pension Fund financial statements and gives their opinion, including:

- whether they present fairly the financial position of the Pension Fund and its expenditure and income for the year in question; and
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards;

In carrying out their audit of the financial statements, auditors will have regard to the concept of materiality.

Additionally the Council must prepare a Pension Fund annual report which should contain the Pension Fund Account and Net Asset Statements with supporting notes and disclosures. External Audit will review the annual report as a whole and the accounts contained in it and then report:

- whether the accounts contained in the annual report are consistent with the financial statements on which the audit opinion was given; and
- that other information in the annual report is not inconsistent with the financial statements on which the audit opinion was given.

Internal Audit carry out a programme of work designed to reassure the S151O that Fund investment systems and records are properly controlled to safeguard the Fund's assets.

Appendix B - Core Investment Beliefs

Long term approach

Local authority (LA) funds take a long term view of investment strategy

This is largely based on covenant. Unlike the private sector, the covenant underlying the Fund is effectively gilt-edged. This means that short term volatility of returns can be acceptable in the pursuit of long term gain. Whilst there is a need to consider stability of contributions, at current maturity levels and with deficits spread over 20 years, it is largely the future service rate which is expected to drive instability. One of the best ways to avoid this is to build in margins over the long term. More recently, the ISC has noted the increasing maturity of the Fund and potential change in cashflow position on the horizon. It is therefore also taking this into consideration in decision making.

Over the long term, equities are expected to outperform other liquid asset classes, particularly bonds

Given the above, there is a preference for a significant allocation to equities in the Fund as over the long-term as they are expected (but not guaranteed) to outperform other asset classes.

Allocations to asset classes other than equities and bonds expose the Fund to other forms of risk premium

Investors with a long term investment horizon and little need for immediate liquidity can use this to their benefit as it offers the ability to capture the illiquidity premium on many asset classes, such as private equity and infrastructure.

Diversification

Diversification into alternative asset classes (including property) is also expected to reduce overall volatility of the Fund's funding level

Given that the returns from different asset classes are expected to be delivered in different cycles (i.e. not be directly correlated with equity returns), the use of alternative assets can reduce overall volatility in the delivery of Fund returns without leading to a significant reduction in overall expected return, therefore increasing efficiency.

In the context of LA funds (open, long duration, not maturing quickly and with high equity content), an allocation to bonds does not offer a match to liabilities, but additional diversification.

Where bonds are not used for liability matching purposes, an allocation to these assets can be beneficial from an overall risk/return perspective improving the overall efficiency of the Fund. The corollary to this is that bond benchmarks do not necessarily have to reflect the nature and duration of the liabilities (see benchmark section below), but should be set to provide managers with the sufficient scope to add value.

The overweight to UK equities in most UK pension funds is historic and loosely based on currency exposures, rather than a preference for the UK market

Although historically the UK may have benefited from better corporate governance, and therefore a higher return, increasingly the rest of the world is catching up and UK equities are not expected to outperform overseas equities over the long term. Given the concerns over market concentration in the UK market and an increased opportunity set overseas a move towards increased overseas allocation relative to the UK seems appropriate. Concerns about currency risk can be addressed by a separate currency hedging programme.

Benchmarks

Where appropriate, benchmarks should represent the full opportunity set.

For example, for a global equity mandate, a market capitalisation ("market cap") weighted benchmark reflects a passive allocation to the market (analogous to investing in a passive equity mandate and investing in each stock according to its size). It therefore reflects the investable universe of stocks available and represents the starting point for an equity benchmark.

To some extent market cap weighted indices reflect past winners, so should be treated with caution

The regional exposures in the World Index are a function of the relative market cap of the regional stock markets. In turn, these are a function of the size of the economy as a whole and how well companies have performed in that economy. One measure of the size of the economy could be its overall contribution to global GDP. However, as has been seen in the UK, many companies in the market have little exposure to the domestic economy and, again, this should not be adhered to too slavishly. At the total fund level a fixed weights regional benchmark is therefore preferred in order to maintain an appropriate level of diversification across markets. This is particularly the case when the allocations are maintained by a passive "swing" manager.

Emerging market economies may be expected to outperform over the long term as the economy develops and the risk premium falls

As emerging markets develop both politically and economically, become more robust and less dependent on the fortunes of a small number of developed economies (such as the US), the risk of investing in these countries should decrease. The return demanded by investors for investing in these 'riskier' countries will therefore fall reflecting the increased security. This reduction in required return would tend to lead to a systematic increase in stock prices. As a result, a strategic allocation to emerging markets of at least the market cap weight if not slightly above is favoured.

Bond benchmarks do not need to reflect the nature and duration of the liabilities

As discussed in the diversification section above, if bonds are not held for liability matching purposes, benchmarks should be set in order to maximise the scope for adding value.

Active versus passive management

Passive management is appropriate for obtaining a low cost allocation to efficient markets

Where markets offer little scope for adding value through active management (such as individual allocations to UK equities, US equities and gilts) passive management is preferred as a low cost way of accessing the market. This does not include emerging markets where the risk inherent in the market (although improving as stated above) and inefficiency of the market lends itself to active management.

Active management is appropriate where a market is relatively inefficient offering opportunities for active managers to add value

Where markets offer substantial scope for added value active management would seem appropriate as a way of increasing overall expected return (after fees) without significantly increasing the overall level of volatility in the funding level.

Constraints on active managers reduce their ability to add value

Active managers should not be unnecessarily constrained (within appropriate risk limits) and should be given the maximum scope to implement their active views. There is therefore a preference for unconstrained mandates e.g. unconstrained global equity mandates and unconstrained bond mandates such as M&G's LIBOR plus approach. This also suggests that, within reason, managers' requests for additional scope should be acceded to.

A degree of diversification of managers improves the efficiency of the overall structure (i.e. improves the expected return per unit of risk)

Active manager performance is expected to be cyclical and therefore by appointing a number of managers the delivery of returns is expected to be less volatile. However, too much diversification can lead to expensive index tracking.

A rigorous approach to active manager selection improves the chance of appointing an active manager who will add value over the long-term

An active manager must outperform their benchmark after fees to add value. The selection of an active manager must assess more than just past performance and look into the infrastructure supporting the performance including; business and ownership, philosophy and process, people, risk controls and fees.

The Fund does not have the governance structure in place to take tactical views and market timing is very difficult

Both timing investments into the market and taking tactical views are very difficult given the governance structure in place and the time taken to agree and implement decisions. Where possible these decisions are left to professional investment managers who are closer to the market and can implement tactical views in a more timely fashion. This highlights the importance of not unnecessarily constraining active managers and providing them with appropriate scope.

The assessment of active management performance should be taken with a long-term view and take account of the market environment in which returns are delivered

Active management is cyclical and periods of underperformance from investment managers should be expected so the structure should be such that when the market cycle is unfavourable for some managers it is favourable for others and vice versa. This is expected to deliver added value over the long-term whilst smoothing the overall performance at the total Fund level. Churning of managers leads to additional costs; however, where the ISC no longer views an investment manager's prospects as positive over the long-term, action should be implemented as soon as possible due to the potential downside risk.

Appendix C – Fund Strategy and structure

Summary

Equities		
	Manager	*Target %*
UK	LGIM	5.0
Regional	LGIM	15.0
Global	Marathon	35.0
	M&G	
	Longview	
	Baillie Gifford	
	RAFI	
Emerging	First State	5.0
Total		60.0

Bonds		
	Manager	*Target %*
Index-linked gilts	LGIM	2.0
Active Cash plus	GSAM	5.5
	M&G	5.5
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
Total		13.0

Alternatives		
	Manager	*Target %*
Property	Aviva	12.0
Private equity	Hamilton Lane	4.0
Infrastructure	M&G	6.0
	Partners Group	
Timber	Stafford	2.0
Loans	M&G	0.5
Direct lending	Alcentra	2.5
-	-	-
Total		27.0

The Fund also hedges 50% of the currency risk arising from its investment in overseas equities via a currency overlay mandate with Legal and General.

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		Swing			Equity					Bonds		Alternatives					
					Active global mandates					Active mandates							
	Effecive Benchmark	L&G Equity	L&G Bonds	L&G RAFI	Longview	Marathon	Baillie Gifford LTGG	M&G	First State	GSAM	M&G	Property	Timber	Direct lending	Infrastructure	Financing	Private Equity
Fund Weighting	**100.0**	**20.0**	**2.0**	**7.0**	**7.0**	**7.0**	**7.0**	**7.0**	**5.0**	**5.5**	**5.5**	**12.0**	**2.0**	**2.5**	**6.0**	**0.5**	**4.0**
UK equities (All Cap)	**3.6**	18.2															
UK equities (Mid/Small Cap)	**1.8**	9.1															
Global equities	**35.0**			100.0	100.0	100.0	100.0	100.0									
North America	**6.4**	31.8															
Europe	**4.5**	22.7															
Japan	**2.3**	11.4															
Pacific ex-Japan	**1.4**	6.8															
Emerging markets	**5.0**								100.0								
Total Equities	**60.0**	**100.0**		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**								
UK index linked	**2.0**		100.0														
UK Gilts																	
UK Corps																	
Libor+	**11.0**									100.0	100.0						
Total bonds	**13.0**		**100.0**							**100.0**	**100.0**						
Infrastructure	**6.0**														100.0		
Timber	**2.0**												100.0				
Private equity	**4.0**																100.0
Property	**12.0**											100.0					
Financing	**0.5**															100.0	
Direct Lending	**2.5**													100.0			
Total alternatives	**27.0**											**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total	**100.0**	**100.0**	**100.0**		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Appendix D – Fund Manager Mandate Objectives

Legal and General Investment Management
Passive Mandate - 22% of the Fund

Investment Objective

The objective is to match the Benchmark gross of fees over rolling three year periods. The Benchmark is the average of the respective FTSE indices for each of the asset classes and markets in which the mandate is invested and weighted in accordance to the proportions in the mandate's asset allocation shown below:

Investment Allocations:

The asset allocations are as below:

Asset Class	Target Allocation	Range
Equities	%	%
UK Equities Index	25.4	23.4 - 27.4
North America Equity Index	32.7	30.7 - 34.7
Europe Equity Index	24.1	22.1 - 26.1
Japan Equity Index	11.3	9.8 – 12.8
Asia Pacific ex Japan Index	6.5	5.75 – 7.25
Total equities	100	
Bonds		
UK Index-linked (Over 5 Year Index-linked Gilts Index)	100	
Total bonds	100	

Investment Restrictions

Legal and General may not invest in unlisted securities. The manager may invest up to 100% of its mandate in pooled life funds. The manager can invest up to 35% of the total Fund in life policies, assets held over and above this limit must be held on a segregated basis.

Legal and General Investment Management
Global Equity Passive Mandate - 7% of the Fund

Investment Objective

The objective is to match the Benchmark gross of fees over rolling three year periods. The benchmark being the L&G FTSE RAFI AW 3000.

Legal and General Investment Management
Passive Currency Mandate

The mandate requires Legal & General to hedge 50% of the estimated value of the exposure to certain overseas equity markets. The hedge is adjusted on a quarterly basis with the new positions calculated using estimated values as at close of business two days before the quarter end.

Baillie Gifford

Global Equity Mandate – 7% of the Fund

Investment Objective

The objective is to seek to outperform the MSCI AC World Index by 3%, gross of fees, per annum over rolling 5 year periods.

Investment Restrictions

The investment restrictions on the manager's discretion in the management of the mandate are set out in full in the Investment Management agreement. The main restrictions are set out below:

The manager aims to ensure adequate diversification, holdings between 30 and 60 stocks. No more than 10% of the portfolio is held in any individual stock and a minimum of six sectors are represented at all times

The Manager takes a pragmatic approach to risk the greatest risk is an absolute loss of capital, therefore, on an ongoing basis the manager reviews themes and stock concentrations in the portfolio as well as how stocks might perform in different scenarios, and levels of correlation between them

Consistent with their long-term investment philosophy the portfolio turnover is low.

Longview Partners

Global Equity Mandate – 7% of the Fund

Investment Objective

The objective is to seek to outperform the MSCI AC World Index by 3%, gross of fees, per annum over rolling 3 year periods.

Investment Restrictions

The investment restrictions on the manager's discretion in the management of the mandate are set out in full in the Investment Management agreement. The main restrictions are set out below:

The manager aims to ensure adequate diversification, holdings between 30 and 50 stocks. No more than 7% of the portfolio is held in any individual stock and a range of sectors will be represented at all times

No restrictions are placed on companies domiciled in a country included within the benchmark. A maximum of 20% of the portfolio at time of purchase may be invested in companies domiciled in countries not included within the benchmark

Longview may not lend any stock, fund, share or asset forming part of the portfolio or borrow cash and/or securities for leveraging of the Portfolio.

Marathon Asset Management
Global Equity Mandate – 7% of the Fund

Investment Objective
The objective is to seek to outperform the MSCI AC World Index by 3%, gross of fees, per annum over rolling 3 year periods.

Investment Restrictions
The investment restrictions on the manager's discretion in the management of the mandate are set out in full in the Investment Management agreement. The main restrictions are set out below:

Investment will be permitted in ordinary share, preference shares, convertible bonds, warrants and cash

The Fund will be diversified, containing a minimum of 100 securities

The Fund will not hold more that 3% of the issued share capital of any one security

The maximum percentage of the Fund which may be invested in anyone share is 10% of the Fund or its benchmark weighting whichever is the greater.

Cash and Cash equivalent securities will not exceed 10% of the Fund's value expect for short periods when rebalancing is taking place

M&G Investments
Global Equity Mandate – 7% of the Fund

Investment Objective
The objective is to seek to outperform the MSCI AC World Index by 3%, gross of fees, per annum over rolling 3 year periods.

The fund aims to deliver a dividend yield above the market average, by investing mainly in a range of global equities. The fund aims to grow distributions over the long term whilst also maximising total return (the combination of income and growth of capital).

Investment Restrictions

There are no investment restriction's placed on the manager as this investment is in M&G Global Dividend pooled fund. The Fund itself has built in restrictions, but offers flexibility to allocate across sectors and geographies without constraints.

Stewart Investors
Global Equity Mandate – 5% of the Fund

Investment Objective
The objective is to seek to outperform the MSCI EM Index by 4%, gross of fees, per annum over rolling 3 year periods.

Investment Restrictions

The investment restrictions on the manager's discretion in the management of the mandate are set out in full in the Investment Management agreement. The main restrictions are set out below:

Investment will be permitted in ordinary share, preference shares, convertible bonds, warrants and cash

The Fund will be diversified, containing a minimum of 30 securities

The Fund will not hold more that 3% of the issued share capital of any one security

Cash and Cash equivalent securities will not exceed 10% of the Fund's value expect for short periods when rebalancing is taking place

Aviva

Property Mandate – 12% of the Fund

Investment Objective

The objective is to seek to outperform the Benchmark by 1% per annum gross of fees over rolling three year periods. The Benchmark is the weighted average of the IPD PPFI All Balanced Property Funds Index.

This objective is to be achieved by investing in a combination of direct and indirect property portfolios.

Investment Restrictions

The Fund is managed on a discretionary basis and the manager shall transition the Fund to comply with the target allocation and permitted ranges as below.

Asset allocation and control ranges

Aviva will invest in a range of property investments, subject to the following constraints.

Asset Allocation	**Target Allocation**	**Range**
	%	%
Direct Property	75	50 - 100
Indirect Property	25	25 - 50
Cash*	0	0 - 20
Total	100	

*In times of severe market stress there is flexibility to hold up to a maximum of 20% in cash

M & G
Fixed Income Mandate – 5.5% of the Fund

Investment Objective
The Fund seeks a total return of 1 month Libor +2% net of fees p.a. over the medium term.

Investment Restrictions
There are no specific investment restriction's placed on the manager as this investment is in M&G's Alpha Opportunities Fund which aims to take advantage of highly diversified opportunities in public and private credit markets, including but not limited to investment grade and high yield corporate bonds, leveraged loans, asset-backed, and mortgage backed securities.

Goldman Sachs Asset Management
Fixed Income Mandate – 5.5% of the Fund

Investment Objective
The Fund seeks a total return of 3 month Libor +2% gross of fees p.a. over the medium term.

Investment Restrictions
There are no specific investment restriction's placed on the manager as this investment is in its STAR I Fund which aims to take advantage of highly diversified opportunities in public and private credit markets, including but not limited to investment grade and high yield corporate bonds, leveraged loans, asset-backed, and mortgage backed securities.

Hamilton Lane
Private Equity Mandate - 4% of the Fund

Investment Objective
The Fund seeks a total return of 3% - 5% p.a. above quoted equity markets.

Investment Restrictions
Hamilton Lane has a global investment mandate in primary partnerships, secondary partnerships and co-investments within private equity. No restrictions have been placed on the fund other than prior approval will need to be sought if the manager wishes the Fund to co-invest.

Partners Group
Infrastructure Mandate - 4% of the Fund

Investment Objective
The Fund seeks an IRR of 8% to 10% p.a.

Investment Restrictions
There are no specific restrictions placed on the manager as this is a pooled investment in Partner's Group Global Infrastructure and Partner's Direct fund which seeks investment opportunities in direct, secondary and primary infrastructure markets.

M&G Infracapital
Infrastructure Mandate - 2% of the Fund
At present this investment is being wound up and capital is being returned.

Investment Objective
The Fund seeks a total return of CPI + 4% p.a. and IRR of 10% -15% p.a.

Investment Restrictions
There are no specific restrictions placed on the manager as this Infracapital is a pooled investment in which seeks investment opportunities in direct, secondary and primary infrastructure space.

IFM Investors
Infrastructure Mandate - 1% of the Fund

Investment Objective
The Fund seeks an expected return of 8% to 12% p.a. net.

Investment Restrictions
There are no specific restrictions placed on the manager as this is a pooled open ended investment in IFM Investors Global Infrastructure Fund which seeks investment opportunities in global core infrastructure assets over a broad sector.

JPMorgan
Infrastructure Mandate - 1% of the Fund

Investment Objective
The Fund seeks an expected return of 8% to 12% p.a. net.

Investment Restrictions
There are no specific restrictions placed on the manager as this is a pooled open ended investment in JPMorgan IFF fund which seeks investment opportunities in OECD regions of core and core plus infrastructure assets concentrating on transportation regulated utilities and contracted power assets.

Stafford Timberland
Timberland Mandate - 2% of the Fund

Investment Objective
The Fund seeks an IRR of 10% p.a.

Investment Restrictions
There are no specific restrictions placed on the manager as this is a pooled investment in its Stafford International Timberland VI Fund and its Stafford International Timberland VII Fund (no2) which seeks investment opportunities in direct, secondary and primary timberland.

Alcentra Limited

Illiquid Debt Mandate – 2.5% of the Fund

Investment Objective

The Fund invests both indirectly and directly and seeks 7% -9% net returns and 10% -12% net returns respectively

Investment Restrictions

There are no specific restrictions placed on the manager as this is a pooled investment in which seeks both direct and indirect investment opportunities in the illiquid debt space.

M&G

Financing Mandate – 0.5% of the Fund

Investment Objective

The Fund seeks a return of LIBOR +4-6% (net of fees) p.a.

Investment Restrictions

There are no specific restrictions placed on the manager as this is a pooled investment in its Stafford International Timberland VI Fund and its Stafford International Timberland VII Fund (no2) which seeks investment opportunities in direct, secondary and primary timberland.

Appendix E – Investment and funding risk register: key

			Impact (Negative)			
			Minor	Moderate	Major	Critical
			1	2	3	4
Probability	4	Almost Certain	Medium (4)	High (8)	VeryHigh (12)	Very High (16
	3	Likely	Medium (3)	High (6)	High (9)	Very High (12)
	2	Possible	Low (2)	Medium (4)	High (6)	High (8)
	1	Unlikely	Low (1)	Low (2)	Medium (3)	Medium (4)

Essex Pension Fund Risk Register

Risk Area: Essex Pension Fund **Date:** 01/03/2017

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Investment Risks										
Investments	To maximise the returns from investments within reasonable risk parameters	I1	If investment return is below that assumed by the Actuary in funding the plan this could lead to an increasing deficit and additional contribution requirements. The larger the level of mismatch between assets and liabilities the bigger this risk.	4	3	12	Diversified portfolio; Annual Strategy Review; Asset Liability Study, extended recovery periods to smooth contribution increases.	3	3	9
Investments	To maximise the returns from investments within reasonable risk parameters	I2	Inefficiencies within the portfolio can result in unintended risks	3	3	9	Diversified portfolio; Annual Strategy Review; Quantification of individual components of financial risks, Hedging of some risks, Obtain expert advice	2	1	2
Investments	To maximise the returns from investments within reasonable risk parameters	I3	If investment returns are below peer group funds, or risk levels are excessive relative to peer group, this could lead to reputational damage for the Fund or member/admitted body dissatisfaction.	3	3	9	Regular monitoring; Annual Strategy Review; Targeting most efficient portfolio	2	2	4
Investments	To maximise the returns from investments within reasonable risk parameters	I4	Risk of missing opportunities to maximise returns	2	3	6	Regular monitoring; more than one investment adviser; dialogue with existing managers to encourage new ideas; peer group dialogue	2	2	4
Investments	To maximise the returns from investments within reasonable risk parameters	I5	If investment strategy is inconsistent with Funding Plan then it can lead to employers paying the incorrect contribution rate	4	3	12	Triennial Reviews linked with Funding Strategy & Investment Strategy. Asset Liability Study; SIP; Interim Reviews; co-ordination between actuary and investment consultant. A specific scorecard measure on this matter is in place.	2	1	2

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Investment Risks										
Investments	To maximise the returns from investments within reasonable risk parameters	I6	Fund managers underperform their benchmarks	2	2	4	Manager selection process and due diligence; manager monitoring across wide range of issues; diversified portfolio of managers; setting of appropriate benchmarks	2	1	2
Investments	To ensure the Fund is properly managed	I7	Inappropriate or uninformed decisions e.g. due to lack of understanding / training	3	3	9	Training and experience of ISC members; monitoring of knowledge and understanding; an institutional investment adviser and an independent adviser have been appointed; training and experience of in house team; papers prepared in advance of decisions being made; Annual Strategy Review sets plan for year	1	2	2
Investments	To ensure the Fund is properly managed	I8	Insufficient management information about the position of the Fund e.g. level of risk; amount of assets; performance of managers	2	3	6	Regular quarterly reporting on assets, performance and managers; Annual Strategy Review	1	1	1
Investments	To ensure the Fund is properly managed	I9	Failure to take expert advice or risk of poor advice	2	3	6	Appointment of institutional investment consultant and an independent investment adviser, who regularly attend meetings	1	1	1
Investments	To ensure the Fund is properly managed	I10	Delays in implementation of decisions reduces the effectiveness of the decision	2	3	6	In house team; use of passive manager to implement change; delegation of implementation to officers and advisers	1	2	2

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Investment Risks										
Investments	To ensure the Fund is properly managed	I11	If liquidity is not managed correctly, assets may need to be sold at unattractive times or investment opportunities missed as cash is unavailable.	2	2	4	Limit on illiquid assets and level of diversification from equities and bonds; projection of expected cash flows. A specific scorecard measure is in place on this matter.	1	1	1
Investments	To ensure the Fund is properly managed	I12	Insufficient scrutiny of manager mandates and terms of business may lead to inappropriate fee levels or other costs.	2	3	6	Quarterly monitoring; review of fees versus peer group; selection criteria include fees and other costs	1	2	2
Investments	To ensure the Fund is properly managed	I13	Failure of manager or custodian	3	1	3	Quarterly monitoring; AAF0106 audit reports; investment consultant on-going research; diversification of manager mandates; diversification of custody via pooled funds	2	1	2
Investments	To ensure the Fund is properly managed	I14	Failure to react to major change in market / economic conditions	3	2	6	Quarterly monitoring, setting appropriate mandates for managers, appointment of investment consultant and independent advisers, review of market conditions at each meeting, regular engagement with investment managers	2	1	2

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Investments	Ensure all significant Fund investment issues are communicated properly to all interested parties	I15	Inappropriate communication of risks involved in the pension fund and strategy adopted and actions taken by the ISC may lead to questions and challenge and unexpected increases in contributions	2	3	6	Resourcing of in house team; discussion forums and surgeries; statement of investment principles; funding strategy statement	1	2	2
Investments	To ensure the Fund is properly managed	I16	The implementation of MiFiD II (January 2018) leads to the Fund being categorised by some / all of its service providers as a 'retail client' - the result of which could reduce the range of sub asset classes in which the Fund is able to invest, and may even require divestment from the current portfolio.	4	3	12	1. Representations at national level aimed towards LGPS retaining professional client status. 2. Fund Officers working with Fund Managers & Investment Advisers aimed towards the Essex Fund retaining professional client status. Developments continue to be monitored.	4	2	8

Risk Area:	Essex Pension Fund	Date:	01/03/2017	Essex Pension Fund Risk Register						
Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding Risks										
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F1	Investment markets perform below actuarial assumptions resulting in reduced assets, reduced solvency levels and increased employer contributions	4	2	8	Use of a diversified portfolio which is regularly monitored against targets and reallocated appropriately. At each triennial valuation assess funding position and progress made to full funding. Full annual interim reviews to enable consideration of the position. A specific scorecard measure is in place on this matter.	2	2	4
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F2	Markets move at variance with actuarial assumptions resulting in increases in deficits, reduced solvency levels and increased employer contributions	4	3	12	Annual interim reviews to enable consideration of the position and the continued appropriateness of the funding/investment strategies and to monitor the exposure to unrewarded risks.	3	3	9
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F3	Investment managers fail to achieve performance targets (i.e. ensure funding target assumptions are consistent with funding objectives) which reduces solvency levels and increases required in employers' contributions	3	3	9	Diversified investment structure and frequent monitoring against targets with potential for a change of managers where considered appropriate.	2	2	4
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F4	Mortality rates continue to improve, in excess of the allowances built into the evidence based actuarial assumptions, resulting in increased liabilities, reduced solvency levels and increased employer contributions	3	3	9	Monitoring of mortality experience factors being exhibited by the Fund members by Fund Actuary and consequent variation of the actuarial assumptions based on evidential analysis.	2	2	4

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding Risks										
Funding	Within reasonable risk parameters, to achieve and then maintain assets equal to 100% of liabilities in the timescales determined by the Funding Strategy	F5	Frequency of early retirements increases to levels in excess of the actuarial assumptions adopted resulting in increases required in employers' contributions	3	3	9	Employers required to pay capital sums to fund costs for non-ill health cases. Regular monitoring of early retirement (including on the grounds of ill health) experience being exhibited by the Fund members by Fund Actuary and consequent variation of the actuarial assumptions based on evidential analysis. Ensure that employers are made aware of consequences of their decisions and that they are financially responsible.	2	2	4
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F6	Failure to apply and demonstrate fairness in the differentiated treatment of different fund employers by reference to their own circumstances and covenant	4	3	12	At each triennial actuarial valuation an analysis is carried out to assess covenant and affordability on a proportional basis. On-going dialogue with employers.	2	2	4
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F7	Mismatch in asset returns and liability movements result in increased employer contributions	4	3	12	Diversified investment structure and frequent monitoring against targets to adjust funding plans accordingly through the FSS. Employers are kept informed as appropriate.	3	2	6

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Proba bility	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding Risks										
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F8	Pay and consumer price inflation significantly different from actuarial assumptions resulting in increases required in employers' contributions	3	2	6	At each triennial actuarial valuation an analysis is carried to ensure that the assumptions adopted are appropriate and monitor actual experience. Discussions with employers over expected progression of pay in the short and long term.	2	2	4
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F9	Potential for significant increases in contributions to levels which are unaffordable. Ultimate risk is the possibility of the employers defaulting on their contributions	3	3	9	Risk profile analysis performed with a view on the strength of individual employer's covenant being formed when setting terms of admission agreement (including bonds) and in setting term of deficit recovery whilst attempting to keep employers' contributions as stable and affordable as possible. Pursue a policy of positive engagement with a view to strengthening employer covenants wherever possible.	2	2	4
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F10	Adverse changes to LGPS regulations resulting in increases required in employers' contributions or Fund cash flow requirements.	4	2	8	Ensuring that Fund concerns are considered by the Officers/Board as appropriate and raised in consultation process with decision makers lobbied. Employers and interested parties to be kept informed. Monitor potential impact for employers in conjunction with Actuary.	3	1	3

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding Risks										
Funding	To recognise when drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible	F11	Adverse changes to other legislation, tax rules, etc. resulting in increases required in employers' contributions	3	2	6	Ensuring that Fund concerns are considered by the Officers/Board as appropriate and raised in consultation process with decision makers lobbied. Employers and interested parties to be kept informed. Monitor potential impact for employers in conjunction with Actuary.	3	1	3
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F12	Administering authority unaware of structural changes in an employer's membership, or not being advised of an employer closing to new entrants, meaning that the individual employer's contribution level becomes inappropriate requiring review and increase	3	3	9	Ensure that employers are reminded of their responsibilities, monitor and send reminders of employers' responsibilities re this where appropriate, investigate the adoption of an administration strategy to clarify employer responsibilities. Employer analysis work and officer dialogue with employers concerned (including guarantors as appropriate)	2	2	4
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F13	Not recognising opportunities from changing market, economic or other circumstances (e.g. de-risking or strengthening of covenant)	3	3	9	At each triennial valuation pursue a policy of positive engagement with a view to strengthening employer covenants wherever possible.	2	2	4
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F14	Adoption of either an inappropriately slow or rapid pace of funding in the specific circumstances for any particular employer	3	4	12	At each triennial actuarial valuation an analysis is carried out to assess covenant and affordability on a proportional basis. On-going dialogue with employers.	2	2	4

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding Risks										
Funding	To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives	F15	Failure to ensure appropriate transfer is paid to protect the solvency of the Fund and equivalent rights are acquired for transferring members in accordance with the regulations.	2	3	6	Follow the standardised approach to bulk transfers of liabilities as part of admission policy framework, complying with any statutory requirements and protecting the interests of the Fund's employers by measuring the solvency of the Fund and relevant employers before and after transfer.	2	1	2
Funding	To have consistency between the investment strategy and funding strategy	F16	Over or under cautious determination of employer funding requirements due to the impact of the investment strategy on funding	3	3	9	Measurement will look at expected return projections vs actuarial assumptions in order to test the continued appropriateness and consistency between the funding and investment strategy.	2	2	4
Funding	Maintain liquidity in order to meet projected net cash-flow outgoings	F17	Illiquidity of certain markets and asset classes and difficulty in realising investments and paying benefits as they fall due	3	3	9	Holding liquid assets and maintain positive cash flows. Reviews performed to monitor cash flow requirements	2	1	2

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding Risks										
Funding	Maintain liquidity in order to meet projected net cash-flow outgoings	F18	Unanticipated onset of cash-flow negative position, potentially requiring ad hoc repositioning of assets	3	3	9	Holding liquid assets and maintain positive cash flows. Reviews performed to monitor cash flow requirements. In Spring 2015 the ISC agreed to divert a portion of UK equity dividend income (L&G) & property rental income (AVIVA) to supplement contribution income in order to meet pension benefit expenditure.	2	1	2
Funding	Minimise unrecoverable debt on termination of employer participation	F19	An employer ceasing to exist with insufficient funding, adequacy of bond or guarantee. In the absence of all of these, the shortfall will be attributed to the Fund as a whole with increases being required in all other employers' contributions	4	3	12	Assess the strength of individual employer's covenant and/or require a guarantee when setting terms of admission agreement (including bonds) and in setting term of deficit recovery. Annual monitoring of risk profiles and officer dialogue with employers concerned (including guarantors as appropriate) through employer analysis. Positive dialogue with employers with a view to strengthening employer covenants wherever possible. Same mitigations for both risks F19 & F20	3	2	6

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Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
Funding Risks										
Funding	Minimise unrecoverable debt on termination of employer participation	F20	Failure to monitor leading to inappropriate funding strategy and unrecovered debt on cessation of participation in the fund	4	3	12	Assess the strength of individual employer's covenant in conjunction with the Actuary and/or require a guarantee when setting terms of admission agreement (including bonds) and in setting term of deficit recovery. Annual monitoring of risk profiles and officer dialogue with employers concerned (including guarantors as appropriate) through employer analysis. Positive dialogue with employers with a view to strengthening employer covenants wherever possible	3	2	6
Funding	Maintain liquidity in order to meet projected net cash-flow outgoings	F21	Employee participation in the Essex LGPS reduces (possibly in response to changes in contribution rate / benefit structure or changes in patterns of service delivery)	4	3	12	Communications with both Employers and Employees over the benefits of the LGPS, both before and after any structural change. In July 2011, following discussion on liquidity and fund maturity, the ISC set a 27% limit on exposure to alternative assets.	3	2	6

Appendix F – Statement of Compliance: the six Myners principles of good investment practice

Description of Principle	Essex Pension Fund's position	Future actions
1. Effective decision making Administering Authorities should ensure that: • Decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation and • Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	Responsibility for approval and review of the investment strategy of the Essex Pension Fund has been delegated to the Investment Steering Committee (ISC). Every quarter, the ISC reports its activity to the Essex Pension Strategy Board (the Strategy Board), the body with overall responsibility for the Essex Pension Fund. The day to day running of the Fund has been delegated to the S151O. The ISC is supported by the S151O, the Director for Essex Pension Fund and other Fund officers. Institutional investment advice to the ISC and Fund officers is commissioned from Hymans Robertson. Furthermore Mark Stevens acts as an independent investment adviser. An on-going programme of training for Members of the ISC and Strategy Board is in place based on the CIPFA Knowledge & Skills Framework. Launch of infoBOARD (an online document repository for ISC/ Strategy Board Members) in July 2013. Member training is also recorded and feeds into the scorecard on quarterly basis Fund officers hold relevant qualifications and maintain appropriate on-going professional development (CPD). The Essex Pension Fund is a member of the CIPFA Pensions Network.	On-going Member and Fund officer training.

Description of Principle	Essex Pension Fund's position	Future actions
2. Clear objectives An overall investment objective(s) should be set for the fund that takes account of the scheme liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be communicated to advisers and investment managers.	The Funding Strategy Statement (FSS) and Investment Strategy Statement (ISS) set out the Essex Pension Fund's primary funding objectives. Specific investment objectives are in place for each mandate in the portfolio, and these are regularly monitored by the ISC. The Strategy Board has also agreed a series of objectives across five areas: Governance, Investment, Funding, Administration & Communications. Progress against objectives is monitored regularly by the Fund's scorecard. These objectives include: • Ensure the Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise • To maximise the returns from investments within reasonable risk parameters • To manage employers' liabilities effectively, having due consideration of each employer's strength of covenant, by the adoption of employer specific funding objectives • To recognise in drawing up its funding strategy the desirability of employer contribution rates that are as stable as possible • Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally	Continual monitoring and review of objectives.

Description of Principle	Essex Pension Fund's position	Future actions
3. Risk & liabilities • In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of their liabilities. • These include the implications for local taxpayers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	Following each triennial valuation, the ISC re-assess the investment strategy in light of the updated information on the structure of liabilities. Asset / Liability studies have been used in the past. Whilst it is accepted that investment underperformance due to certain market conditions can occur, the ISC measures active managers against longer term benchmark outperformance targets. The strength of covenant of participating employers is considered in the formulation of the FSS. The admission of new employers into the Fund is not granted unless appropriate guarantees are put in place. Investment risks are highlighted within the ISS. A register of risks of not achieving each of the Funds objectives is maintained and reviewed on a quarterly basis.	The ISC is scheduled to consider an asset liability study based on the outcomes of the 2016 Valuation, in early 2017.

Description of Principle	Essex Pension Fund's position	Future actions
4. Performance assessment Arrangements should be in place for the formal measurement of investments, fund managers and advisers Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision making body and report on this to scheme Members.	The performance of the Fund and fund managers is monitored each quarter by the ISC, and all fund managers are held to account through meetings with the ISC and/or the Fund's officers and advisers. Performance data is provided by a specialist provider, independent from the fund managers. The Fund's contracts with its advisers are market tested when appropriate. The most recent effectiveness review of both the Strategy Board and ISC was undertaken in March 2017. The outcome of this review was reported back to the Strategy Board at their 8 March 2017 meeting. This included an assessment of both the Strategy Board & ISC's effectiveness and that of the support received from Fund officers and advisers. Strategy Board & ISC attendance and training outcomes are measured in the quarterly scorecard.	. . A further effectiveness review is scheduled for 2017/18.

Description of Principle	Essex Pension Fund's position	Future actions
5. Responsible ownership Administering authorities should: Adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. Include a statement of the authority's policy on responsible ownership in the Statement of Investment Principles. Report periodically to members on the discharge of such responsibilities.	The Institutional Shareholders' Committee Statement of Principles has been superseded by the Financial Reporting Council's (FRC) UK Stewardship Code and it is now the standard for the investment management industry The Fund's Investment Strategy Statement includes the following: *"The Fund fully supports the UK Stewardship Code and requires those of its investment managers who hold shares on its behalf to comply with it or to provide the ISC with an explanation of why it is not appropriate to do so, in the exercise of the mandate that they have been given, and how they will instead achieve and demonstrate the same level of responsible share ownership."* Investment Manager reports circulated to ISC Members include details of voting records.	

Description of Principle	Essex Pension Fund's position	Future actions
6. **Transparency & reporting** Administering authorities should: Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives; and Provide regular communication to members in the form they consider most appropriate.	Each quarterly meeting of the Board includes a review of the Fund's business plan and risk register. Furthermore a detailed scorecard is used to monitor progress against the stated objectives. Agenda papers are published on the internet and the meetings are open to the public. An Employers' Forum is held every year and includes presentations from the Board Chairman, Fund officers and advisers as well as the opportunity for questions to be raised. The Fund's web site is www.essexpensionfund.co.uk and includes the: • Annual Report and Accounts • Funding Strategy Statement • Investment Strategy Statement • Governance Compliance Statement; and • Communications Policy Individual scheme members receive newsletter updates throughout the year in addition to annual benefit statements.	

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Report to the Finance and Performance Management Cabinet Committee

Report Reference: FPM-003-2017/18
Date of meeting: 22 June 2017

Epping Forest District Council

Portfolio: Finance

Subject: Provisional Revenue Outturn 2016/17.

Responsible Officer: Peter Maddock (01992 564602)

Democratic Services Officer: Rebecca Perrin (01992 564532).

Recommendations/Decisions Required:

(1) That the provisional 2016/17 revenue out-turn for the General Fund and Housing Revenue Account (HRA) be noted;

(2) That £1 million from the General Fund be used to finance capital expenditure in 2016/17; and

(3) That as detailed in Appendix E, the carry forward of £1,301,000 District Development Fund and £107,000 Invest to Save Reserve expenditure be noted.

Executive Summary

This report provides an overall summary of the revenue outturn for the financial year 2016/17. The General Fund saw £288,000 more than estimated being used from the opening balance. Total net expenditure on the General Fund was £14.039 million, some £787,000 higher than the original estimate and £71,000 higher than the revised estimate. Expenditure from the District Development Fund and Invest to Save Reserve was £1.643 million less than estimated.

The position on the Housing Revenue Account was £157,000 better than anticipated.

Reasons for proposed decision:

To note the provisional revenue outturn.

Other options for action:

Not to use the proposed £1 million additional funding for general fund capital expenditure.

<u>General Fund</u>

1. The table below summarises the revenue outturn for the Continuing Services Budget (CSB) of the General Fund and the consequential movement in balances for 2016/17.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
Net Expenditure after Adjustments (CSB)	**13,252**	**13,968**	**14,039**	**787**	**71**
Government Grants and Local Taxation	**13,216**	**13,191**	**12,974**	**242**	**217**
(Contribution to)/from Balances	**36**	**777**	**1,065**	**1,029**	**288**
Opening Balances – 1/4/16	**(7,272)**	**(7,272)**	**(7,272)**	**-**	**-**
(Contribution to)/from Balances	**36**	**777**	**1,065**	**1,029**	**288**
Closing Balances – 31/3/17	**(7,236)**	**(6,495)**	**(6,207)**	**1,029**	**288**

2. Net expenditure (CSB) for 2016/17 totalled £14.039 million, which was £787,000 (5.9%) above the original estimate and £71,000 (0.5%) above the revised. Whilst the overspend compared to the revised appears small there was in fact a sizeable underspend on ongoing activities and because of this it is proposed to provide an additional sum of £1 million for capital funding.

3. The funding position is less easy to establish since the part retention of business rates. Whilst like Council Tax the precept is set in advance, there are a number of grants provided to authorities under section 31 of the 2003 Local Government Act to offset costs as a result of the various business rate reliefs given. There is no way of knowing in advance how much this might amount to in any given year. Actual funding was down by £217,000 when compared to the revised position. Having said that this is not the full story as movements between the Collection Fund (where Council Tax and Business Rates are accounted for) and the General Fund are governed by specific regulations. For example the amount counted as income to the General Fund for 2016/17 is based on an estimate made a year and a half ago and a lot has changed since then.

4. The Collection Fund is an account that holds income relating to this Authority as well as the major preceptors. These are Essex County Council, the Police and Fire Authorities. These authorities notify this Council of their funding requirement from the collection fund and as a result a precept is paid to this Councils General Fund and the major preceptors. To ensure a degree of certainty these figures are fixed in advance of the start of the financial year. Any reductions in income, for example successful appeals on Business Rates assessments, do not affect the General Fund in the year that they occur, rather they affect future years when the Collection Fund deficit that is created has to be made up by both the General Fund and Major Preceptors.

5. There was an in year surplus on the business rates collection fund which has brought the overall deficit down from £1.514m to £87,000. There is still a significant amount set aside for Business Rate appeals and a re-assessment of the level of the provision required was carried out during the final accounts process. To calculate this has required an assessment of the likelihood or otherwise of outstanding appeals being successful. Needless to say there is a significant degree of uncertainty surrounding this process and the value put on the provision for appeals is an estimate based on the most up to date information available at this time. The larger the provision for appeals being made the larger the deficit on the fund created.

6. The medium term financial strategy had estimated that the Council's portion of the deficit on the business rates collection fund would be £200,000 and on the council tax collection fund there would be a surplus of £210,000. In the event the business rates collection fund deficit at the end of March 2017 was lower at £35,000 which will need to be paid back over the next two years, the Council Tax collection fund showed a surplus of £209,000 which will be paid into the General Fund in future years. The combined net position is £164,000 better than was anticipated.

7. An analysis of the changes between Continuing Services Budget (CSB), the District Development Fund (DDF) and The Invest to Save Reserve (ITS) expenditure illustrates where the main variances in revenue expenditure have occurred.

General Fund	Original Estimate £000	Revised Estimate £000	Actual Expend £000	Variance from Original £000	Variance from Revised £000
Opening CSB	12,714	13,336	12,465	(249)	(871)
In Year Growth	949	1,408	1,395	446	(13)
In Year Savings	(411)	(778)	(823)	(412)	(45)
Total Continuing Services Budget	**13,252**	**13,966**	**13,037**	**(215)**	**(929)**
Capital Exp. Charged to Revenue (CERA)	0	2	1,002	1,002	1,000
Total Including CERA	**13,252**	**13,968**	**14,039**	**787**	**71**
DDF/ITS – Expenditure	2,106	3,099	2,527	421	(572)
DDF/ITS – One Off Savings	(1,296)	(1,683)	(2,754)	(1,458)	(1,071)
Total DDF/ITS	**810**	**1,416**	**(227)**	**(1,037)**	**(1,643)**
Total Net Expenditure	**14,062**	**15,384**	**13,812**	**(250)**	**(1,572)**

Continuing Services Budget

8. CSB expenditure was £215,000 below the original estimate and £929,000 below the revised. Variances have arisen on both the opening CSB and the in year figures. The opening CSB is £871,000 lower than the revised estimate and the in year figures, £58,000 lower than the revised estimate.

9. When measured against the Original Budget, salaries were underspent by £529,000. Actual salary spending for the authority in total, including agency costs, was some £21.97 million compared against a original estimate of £22.499 million. About three quarters of this underspend fell on the General Fund with Resources and Neighbourhoods recording the highest values. When comparing to the Revised Estimate there was an underspend of £157,000, All of which fell on the General Fund, though some salary costs are DDF and this showed a small underspend.

10. A contingency was included in the General Fund of £150,000 for potential settlement agreements little of this was spent in the end.

11. The addition to the General Fund Bad & Doubtful debts provision was £83,000 less than expected. Housing Benefit Overpayment debts have increased marginally and more than half of the Sundry Debts outstanding were less than a month old so we can expect most of this to be paid.

12. There were a number of other underspends such as Housing Benefits £133,000, additional income, mostly rents £112,000, various consultancy costs £103,000, business

rates £32,000, Grounds Maintenance £29,000, and as always a lot of minor amounts under £5,000 on various headings.

13. It is proposed, that because this underspend has occurred, it is sensible to provide some additional funding to the General Fund capital programme of £1 million which wipes out the underspend plus an additional £288,000 which still leaves the General Fund balance at £6.207 miilion which is comfortably above the target set in the Medium Term Financial Strategy. This change being quite significant has been shown on a separate line to make comparisons more meaningful.

14. The original in year CSB growth figure of £538,000 became an in year growth figure of £630,000. This was primarily due to additional expenditure required to support the Waste Management Contract (£427,000) though there was some compensatory additional income included in areas such as the technical agreement with major preceptors (£200,000) commercial and industrial rents (£135,000) and Development Control fee income (£70,000). In the event in year gowth fell between the two at £572,000. Mainly due to futher additional commercial rent income. Full details of items within the CSB growth figures can be found at appendix A.

District Development Fund

15. Net DDF expenditure was expected to be £698,000 in the original estimate and £1,096,000 in the revised estimate. In the event the DDF showed net income of £446,000. This is £1,144,000 below the original and £1,542,000 below the revised. There are requests for carry forwards totalling £1,301,000 these are detailed on Appendix E. These one-off projects are akin to capital, in that there is regular slippage and carry forward of budgetary provision. Therefore the only reasonable variance analysis that can be done is against the revised estimate.

16. As spending is £1,542,000 below the revised estimate but carry forwards of £1,301,000 have been requested, a net underspend of £241,000 is shown in Appendix B.

17. The DDF increased between the Original and Revised position by £398,000, overall this was not significant but there were some large swings on both income and expenditure. On the Income side additions relating to Development and Building Control (£150,000), Various commercial and industrial rents (£122,000), various other grants and income (£86,000). There was also some reprofiling of expenditure into future years particularly in relation to the staffing costs relating to the technical agreement. Offsetting this were amounts brought forward from 2015/16 and additional resources provided for the Local Plan (£626,000),Waste and Recycling (£144,000) and an amount of £116,000 in relation to the income from the major preceptors that has been taken into the CSB. As always there were a significant number of other more minor items of both additons and reductions to the programme full details are also shown at appendix B.

18. The difference between the revised position and the outturn position was a reduction of £1,542,000. During February and March around £928,000 in grants and contributions were received which had been applied for but not confirmed in time for the budget setting process. These monies have been added to the DDF and are intended for spending in 2017/18. The largest of these is for the Garden Town funding of which £665,000 is carried forward into 2017/18. All of these grants and contributions relate to the Neighbourhoods Directorate. Other income variations are; additional income from the agreement with major preceptors £158,000, Unspent new burdens grant required in 2017/18 £127,000, additional commercial and industrial rents £63,000. There were also two larger underspends relating to building maintenance £92,000 and the local plan £66,000. There are again a number of less significant other variations that are highlighted in Appendix B.

19. Appendix C shows the overall position on the DDF with the balance as at 31 March 2017 being £4.188 million and Appendix E lists the DDF items requested for carry forward.

Invest to Save Reserve

20. Spending from the Invest to Save Reserve was £219,000 which was £101,000 below the revised estimate of £320,000. There are carry forward requests of £107,000 the largest relating to the ICT infrastructure for the new car park management contract of £45,000. There was also a small overspend relating to the payment kiosks at the Civic Offices.

21. The balance on the reserve was £425,000 at the start of 2016/17. It was agreed as part of the 2017/18 budget process to add £200,000 and having spent £219,000 leaves the year end balance at £406,000. The detail is shown in Appendix D and items for carry forward in Appendix E.

Housing Revenue Account

22. The table below summarises the revenue outturn for the Housing Revenue Account.

Housing Revenue Account	**Original Estimate £000**	**Revised Estimate £000**	**Actual Expend £000**	**Variance from Original £000**	**Variance from Revised £000**
Revenue Expenditure	28,016	26,391	26,270	(1,746)	(121)
Depreciation	12,925	15,765	15,763	2,838	(2)
Total Expenditure	**40,941**	**42,156**	**42,033**	**1,092**	**(123)**
Gross Dwelling Rents	32,032	31,788	31,925	107	(137)
Other Rents, Charges and Depreciation Reversals	8,462	10,862	10,759	(2,297)	103
Total Income	**40,494**	**42,650**	**42,684**	**(2,190)**	**(34)**
Deficit/(Surplus) for Year	**447**	**(494)**	**(651)**	**(1,098)**	**(157)**
Opening Balance – 1/4/16	(3,202)	(3,202)	(3,202)	-	-
Deficit/(Surplus) for year	447	(494)	(651)	(1,098)	(157)
Closing Balance – 31/3/17	**(2,755)**	**(3,696)**	**(3,853)**	**(1,098)**	**(157)**

23. A deficit within the HRA of £447,000 and surplus of £494,000 was expected within its original and revised revenue budgets respectively, the actual outturn was a surplus of £651,000.

24. There were savings on Revenue Expenditure of £121,000 when compared to the revised position. There were savings on sheltered unit management (£43,000), bad and doubtful debt provision (£26,000), grounds maintenance (£16,000), gas and electricity (£10,000) and Caretaking and Cleaning (£9,000).

25. Income from Dwelling Rents was up by £137,000 though other income was down by £103,000 the latter relating to management and service charges.

26. The HRA starts the new financial year in a slightly better position at £3.85 million. There is still significant uncertainty facing the HRA going forward with continued 1% rent reductions and the potential high value void levy so any addition to balances is helpful when viewed in that context.

Consultation undertaken:

None

Resource implications:
Although the General Fund was underspent by £712,000 it is proposed to use this and an additional £288,000 from reserves to provide an additional £1 million funding for the General Fund capital programme in 2016/17.

The surplus on the HRA was slightly higher than expected due to some minor underspends and the balance has now risen to £3.85 million as at 31 March 2017.

Legal and Governance Implications:

Reporting on the financial outturn for the previous financial year is recognised as a key element of the Council's Governance Framework.

Safer, Cleaner, Greener Implications:

The Council's revenue budgets contain spending related to the Safer, Cleaner, Greener initiative.

Background Papers:

Final Accounts working papers held in Accountancy.

Impact Assessments:

Risk Management

This report is a key part in managing the financial risks faced 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.

Date / Name	Summary of equality analysis
1/06/17 Director of Resources	The report only sets out the revenue outturn and therefore has no equality implications.

Appendix A

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Directorate	Service		Original 2016/17 £000's	Probable 2016/17 £000's	Actual 2016/17 £000's	Variance from Revised £000's
Chief Executive	Corporate Policy Making	Flexible Working and Accomodation Review	(100)			-
	Total Chief Executive		**(100)**	**0**	**0**	**0**
Communitites	Affordable Housing	Legal fees B3Living	(5)	(5)	(5)	-
	Community Arts Programme	Additional Income (Savings made in expenditure)	(4)	(4)	(4)	-
	Safeguarding	Safeguarding Officers	50	51	51	-
	Safeguarding	Recharge to HRA	(31)	(31)	(31)	-
	Total Communitites		**10**	**11**	**11**	**0**
Governance	Building Control	Fees & Charges		(25)	(25)	-
	Building Control	Ring Fenced Account		25	25	-
	Conservation Policy	Bring Listed Building Service in house		(5)	(5)	-
	Development Control	Fees & Charges	(75)	(145)	(145)	-
	Development Control	Pre Application Consultation Fees	(10)	(10)	(10)	-
	Governance Admin	Training	9	10	5	(5)
	Governance Admin	Equipment New		6	6	-
	Internal Audit	Corporate Fraud Team	10	5	5	-
	Internal Audit	Shared Service (GF element)		(29)	(29)	-
	Legal Services	Fees & Charges		(6)	(7)	(1)
	Local Land Charges	Reduction Re Fees & Charges		12	7	(5)
	Members Allowances	Increase in Basic Allowances	50	43	40	(3)
	Planning Appeals	Fees & Charges		(4)	(4)	-
	Public Relations & Information	Committee Attendance		5	5	-
	Total Governance		**(16)**	**(118)**	**(132)**	**(14)**

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Directorate	Service		Original 2016/17 £000's	Probable 2016/17 £000's	Actual 2016/17 £000's	Variance from Revised £000's
Neighbourhoods	Animal Welfare	Budget Savings	(16)	(16)	(19)	(3)
	Countrycare	Additional Income	(12)	-	(1)	(1)
	Engineering, Drainage & Water	New Post	27	37	37	-
	Grounds Maintenance	Service Review (GF element)		(15)	(13)	2
	Land and Property	Oakwood Hill Units/Plots	(8)	(8)	(21)	(13)
	Land and Property	Brooker Road		(12)	(59)	(47)
	Land and Property	Greenyards	(2)	(2)	(2)	-
	Land and Property	David Lloyd Centre		(69)	(69)	-
	Land and Property	Rental Income - Shops		(22)	(29)	(7)
	Leisure Management	Savings from New Contract	(75)	-		-
	North Weald Airfield	Additional Income		(22)	(22)	-
	Off Street Parking	Parking Fee Increases	(31)	(72)	(55)	17
	Off Street Parking	Machine Maintenance and collections	5	5	5	-
	Planning Policy Group	Increase in Staffing	75	75	75	-
	Waste Management	Inter Authority Agreement, reduced ECC Income	19	19	19	-
	Waste Management	Waste Contract		427	419	(8)
	Waste Management	Additional Staffing	31	26	31	5
	Neighbourhoods	Savings		(2)	(2)	-
	Total Neighbourhoods		**13**	**349**	**294**	**(55)**

CONTINUING SERVICES BUDGET - GROWTH / (SAVINGS) LIST

Directorate	Service		Original 2016/17 £000's	Probable 2016/17 £000's	Actual 2016/17 £000's	Variance from Revised £000's
Resources	Cashiers	Self Service Machines (ITS)	(15)	(14)		14
	Civic Offices	Solar Panel Energy Saving	(3)	(5)	(6)	(1)
	Civic Offices	Cleaning contract		3	5	2
	Finance Miscellaneous	Car Leasing (excluding HRA)	(15)	(35)	(34)	1
	Housing Benefits Administration	Admin Reductions	73	59	40	(19)
	Housing Benefits	Non Hra Rent Rebates	7	29	49	20
	ICT	Printer Migration		(7)	(15)	(8)
	Revenues	Restructure	(9)	(9)	(9)	-
	Resources	Savings		(4)	(2)	2
						-
	Total Resources		**38**	**17**	**28**	**11**
Other Items	Investment Interest	Reduction due to use of balances	100	157	157	-
	Council Tax Collection	Technical Agreement Contributions		(200)	(200)	-
	All Directorates	Additional Employers National Insurance	450	371	371	-
	Pensions	Deficit Payments	43	43	43	-
	Total CSB		**538**	**630**	**572**	**(58)**

Overspends/Income not achieved	**63**
Underspends/ Income Overachievement	**(121)**
Net Underspend	**(58)**

DISTRICT DEVELOPMENT FUND

	Directorate	Description	2016/17 Original	2016/17 Probable	2016/17 Actual	2016/17 Difference	2016/17 C/Fwd	2016/17 over/(under)	2017/18 Estimate	2017/18 Adjusted	2018/19 Estimate	2019/20 Estimate
			£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Chief Executive	Chief Executive Policy Group	Transformation Staffing	77	78	78	-		-	90	90	58	
	Transformation	External Partnerships				-		-	100	100		
	Transformation	Transformation Projects		20	13	(7)	7	-	80	87		
	Total Chief Executive		**77**	**98**	**91**	**(7)**	**7**	**0**	**270**	**277**	**58**	**0**
Communtites	Communities	Externally Funded Projects	86	128	98	(30)		(30)	110	110		
	Communities	Externally Funded Projects	(86)	(128)	(98)	30		30	(110)	(110)		
	Communities	Museum Store License (Lease)	17	17	17	-		-		-		
	Homelessness	Legal Challenges	20	20	0	(20)	20	-	20	40		
	Private Sector Housing	Landlord Accreditation Scheme	1	1	1	-		-	1	1		
	Safer Communities	Analysts post	34	15	15	-		-		-		
	Safer Communities	Analysts post	(30)			-		-		-		
	Safer Communities	CCTV Trainee Assistant post	19	9	9	-		-	20	20	20	8
	Youth Council	Enabling Fund	8	8	8	-		-	8	8		
	Grant - Citizens Advice Bureau	CAB Debt Advisors				-		-	4	4		
	Total Communities		**69**	**70**	**50**	**(20)**	**20**	**0**	**53**	**73**	**20**	**8**
Governance	Building Control	Fees & Charges		(40)	(32)	8		8		-		
	Conservation Policy	Consultant Fees & Grants		(5)	(5)	-		-		-		
	Development Control	Pre Application Consultation Fees	(10)	(30)	(31)	(1)		(1)	(13)	(13)		
	Development Control	Fees & Charges	(75)	(175)	(180)	(5)		(5)	(175)	(175)		
	Development Control Group	Trainee Contaminated Land Officer	22	15	15	-		-	23	23	10	
	Development Control Group	Trainee Planning Officer	45	24	25	1		1	45	45	27	
	Development Control Group	Agency Staff		30	29	(1)		(1)		-		
	Development Management	Administrative Assistant	10	9	14	5		5	13	13		
	Development Management	Additional Temporary staffing	27	27	27	-		-	28	28		
	Development Management	Planning Validation Officer				-		-	26	26	26	
	Development Management	Document Scanning	68	79	73	(6)	1	(5)	113	114	113	
	Elections	Savings no district elections				-		-	(41)	(41)		
	Electoral Registration	Individual Registration Costs		25	0	(25)	25	-	37	62	23	
	Electoral Registration	Individual Registration Grant		(23)	(23)	-		-		-		
	Enforcement / Trees & Lanscape	Technical Assistant - Conservation	11	7	0	(7)	7	-		7		
	Legal Services	Transformation Programme	27	17	15	(2)	2	-	10	12		
	Legal Services	Additional Income		(10)	(13)	(3)		(3)		-		
	Local Land Charges	Government Grant - New Burdens		(8)	(8)	-		-		-		
	Planning Appeals	Contingency for Appeals	45	10	19	9	(9)	-	41	32	36	
	Standards Committee	Contribution from Other Local Authorities		(5)	(6)	(1)		(1)		-		
	Total Governance		**170**	**(53)**	**(81)**	**(28)**	**26**	**(2)**	**107**	**133**	**235**	**0**

Appendix B

DISTRICT DEVELOPMENT FUND

	Directorate	Description	2016/17 Original £000's	2016/17 Probable £000's	2016/17 Actual £000's	2016/17 Difference £000's	2016/17 C/Fwd £000's	2016/17 over/(under) £000's	2017/18 Estimate £000's	2017/18 Adjusted £000's	2018/19 Estimate £000's	2019/20 Estimate £000's
Neighbourhood	Contaminated Land & Water Quality	Contaminated land investigations	64	35	42	7	(7)	-	79	72	50	
	Flood Defence	Flood Risk Works Pynest Green Lane			(16)	(16)	16	-		16		
	Countrycare	BRIE - SLA	4	4	4	-		-	4	4		
	Economic Development	Economic Development Strategy	4	0	0	-		-	8	8		
	Economic Development	Tourism Task Force	35	35	35	-		-		-		
	Economic Development	Town Centres Support	50	40	14	(26)	26	-	52	78		
	Economic Development	Portas Funding	9	9	9	-		-		-		
	Asset Rationalisation	Council Asset Rationalisation	27	48	56	8	(8)	-	61	53		
	Asset Rationalisation	New Development Project Officer	16	22	19	(3)	3	-		3		
	Food Safety	Inspections		4	3	(1)		(1)		-		
	Forward Planning	Local Plan	552	1,178	1,112	(66)	66	-	1,028	1,094	237	
	Forward Planning	Joint Working Contribution			(129)	(129)	129	-		129		
	Forward Planning	Brownfield Register			(15)	(15)	15	-		15		
	Forward Planning	Hillhouse			(6)	(6)	6	-		6		
	Forward Planning	Neighbourhood Planning		6	7	1	(1)	-	3	2		
	Forward Planning	Garden Town			(665)	(665)	665	-		665		
	Forward Planning	Community Housing			(53)	(53)	53	-		53		
	Highways General Fund	Contribution to ECC	50	50	50	-		-		-		
	Land and Property	David Lloyd Centre		(107)	(107)	-		-		-		
	Land and Property	Oakwood Hill Plots/ Units		(15)	(24)	(9)		(9)		-		
	Land and Property	Epping Forest Shopping Park Security		12	12	-		-		-		
	Land and Property	Rental Income - Shops		(10)	(45)	(35)		(35)		-		
	Leisure Management	New Management Contract				-		-	65	65	268	9
	North Weald Airfield	Second hand fire truck			(5)	(5)	5	-		5		
	North Weald Airfield	Additional Income			(19)	(19)		(19)		-		
	Off street parking	Payment to NEPP for redundancies			23	23	(20)	3	20	-		
	Parks & Grounds	Roding Valley Development - Woodland Planting			(50)	(50)	50	-		50		
	Parks & Grounds	Open Spaces - Tree Planting	10			-		-	10	10		
	Parks & Grounds	Survey of River Roding errosion				-		-	15	15		
	Waste Management	Replacement Bins	53	10	0	(10)		(10)		-		
	Waste Management	DCLG recycling reward scheme		40	38	(2)	2	-	218	220		
	Waste Management	Additional Sacks and Recycling payment		147	155	8		8	(104)	(104)		
	Neighbourhoods	Salary Savings to fund restructure		30	30	-		-		-		
										-		
	Total Neighbourhoods		**874**	**1,538**	**475**	**(1,063)**	**1,000**	**(63)**	**1,459**	**2,459**	**555**	**9**

DISTRICT DEVELOPMENT FUND

	Directorate	Description	2016/17 Original	2016/17 Probable	2016/17 Actual	2016/17 Difference	2016/17 C/Fwd	2016/17 over/(under)	2017/18 Estimate	2017/18 Adjusted	2018/19 Estimate	2019/20 Estimate
			£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Resources	Accounts Payable	Implementation of E-Invoicing	2	7	7	-		-		-		
	Building Maintenance - Non HRA	Planned Building Maintenance Programme	110	103	11	(92)	92	-	104	196	99	152
	Cashiers	Consultants fees		7	6	(1)	1	-		1		
	Cashiers	License fees		6	6	-		-		-		
	Cashiers	Equipment New			2	2		2				
	Council Tax Benefits	Previous Year Clawback	(15)	(17)	(23)	(6)		(6)		-		
	Council Tax Collection	Collection Investment	(47)	(57)	(47)	10		10	(57)	(57)		
	Council Tax Collection	Local Council Tax New Burdens Expenditure - E-Services	108	101	34	(67)	52	(15)		52		
	Housing Benefits Administration	Hardship & Compliance	(82)	(71)	(80)	(9)		(9)	(71)	(71)		
	Housing Benefits Administration	Benefits Specific Grants - Online Forms	18	15	23	8		8		-		
	Housing Benefits Administration	Benefits Specific Grants - Data Matching	60	60	0	(60)	60	-		60		
	Housing Benefits Administration	Benefits Specific Grants - Unallocated		(51)	(59)	(8)		(8)	20	20		
	Housing Benefits Administration	Atlas upgrades		15	15	-		-		-		
	Housing Benefits Administration	Atlas upgrades		(15)	(15)	-		-		-		
	Housing Benefits	Hardship & Compliance - Benefits Officers	62	27	21	(6)	6	-	58	64	58	43
	Housing Benefits	Benefits Specific Grants - Furniture		2	0	(2)	2	-		2		
	Revenues	Temporary Additional Staffing	234	149	117	(32)	32	-	207	239	104	
	Sundry Non Distributable Costs	Emergency Premises Works	8	4	1	(3)	3	-	9	12		
	Total Resources		**459**	**285**	**19**	**(266)**	**248**	**(18)**	**270**	**518**	**261**	**195**
	Total Service Specific District Development Fund		**1,649**	**1,938**	**554**	**(1,384)**	**1,301**	**(83)**	**2,159**	**3,460**	**1,129**	**212**
Other Items	Transitional Grant		(54)	(54)	(54)	-		-	(53)	(53)		
	New Homes Bonus		(581)	(588)	(588)	-		-		-		
	Council Tax Collection	Technical Agreement Contributions	(316)	(200)	(358)	(158)		(158)	(200)	(200)	(200)	(200)
	Pensions	Deficit Payments				-		-	(8)	(8)		
	Total District Development Fund		**698**	**1,096**	**(446)**	**(1,542)**	**1,301**	**(241)**	**1,898**	**3,199**	**929**	**12**

DISTRICT DEVELOPMENT FUND

Service	2016/17 Original £000	2016/17 Probable £000	2016/17 Actual £000	Over/(Under) spend £000	Carry Forward £000	2017/18 Original £000	2017/18 Updated £000
Chief Executive	77	98	91	0	7	270	277
Communtites	69	70	50	0	20	53	73
Governance	170	(53)	(81)	(2)	26	107	133
Neighbourhoods	874	1,538	475	(63)	1,000	1,459	2,459
Resources	459	285	19	(18)	248	270	518
Total DDF Expenditure	**1,649**	**1,938**	**554**	**(83)**	**1,301**	**2,159**	**3,460**
Funding Analysis							
Transfer from DDF							
Transfer to/(from) General Fund	1,649	1,938	554			2,159	3,460
Total DDF Funding	**1,649**	**1,938**	**554**			**2,159**	**3,460**
DDF Earmarked Reserve							
Balance B/F	**3,742**	**3,742**	**3,742**			**2,646**	**4,188**
Capital Expenditure Charged to Revenue							0
Tranistional Grant	(54)	(54)	(54)			(53)	(53)
Deficit Payments						(8)	(8)
New Homes Bonus	(581)	(588)	(588)			0	0
Technical Agreement	(316)	(200)	(358)			(200)	(200)
Transfer Out	1,649	1,938	554			2,159	3,460
Balance C/F	**3,044**	**2,646**	**4,188**		**0**	**748**	**989**

INVEST TO SAVE

				2016/17 Original	Probable	Actual	Difference	C/Fwd	over/ (under)spend	2017/18 Estimate	Adjusted	2018/19 Estimate	2019/20 Estimate
				£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Chief Executive	Customer Services	Software prototype	Capital		6	6	-		-		-		
	Civic Offices	Accomodation reveiw	Revenue		83	83	-		-		-		
				0	**89**	**89**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Communities	Homelessness	Rental Loans Scheme	Revenue	30	30	30	-		-	30	30	30	
	Museum Resilience	Contribution	Revenue		20	0	(20)	20	-		20		
				30	**50**	**30**	**(20)**	**20**	**0**	**30**	**50**	**30**	**0**
Neighbourhoods	Car Parking	Replacement LED lighting	Capital	50	20	6	(14)	14	-	70	84		
	Car Parking	Termination of contract with NEPP	Revenue		26	26	-		-		-		
	Car Parking	New Car Parks	Capital				-		-	40	40		
	Car Parking	ICT infrastructure	Capital		75	30	(45)	45	-		45		
	Car Parking	Lea Valley pay & display	Capital				-		-	15	15		
	Car Parking	Vere Road Pay & Display	Capital				-		-	51	51		
	Car Parking	Vere Road Pay & Display	Revenue				-		-	4	4		
	Grounds Maintenance	Training	Revenue	2	2	2	-		-		-		
	North Weald Airfield	Extension to Vehicle Compound	Capital		12	0	(12)	12	-		12		
				52	**135**	**64**	**(71)**	**71**	**0**	**180**	**251**	**0**	**0**
Resources	Civic Offices	Alterations to cashiers hall	Revenue	10	10	8	(2)		(2)		-		
	Civic Offices	Reception area structural survey	Capital		15	0	(15)	15	-		15		
	Cashiers	Two payment kiosks	Capital	20	20	28	8		8		-		
	ICT	Ariel Camera System Training	Revenue		1	0	(1)	1	-		1		
				30	**46**	**36**	**(10)**	**16**	**6**	**0**	**16**	**0**	**0**
				112	**320**	**219**	**(101)**	**107**	**6**	**210**	**317**	**0**	**0**

DISTRICT DEVELOPMENT FUND 2016/17 - 2017/18

Directorate	Description	C/Fwd £000's	Year of Approval
Chief Executive	Transformation Projects	7	2016/17
		7	
Communities	Legal Challenges	20	2015/16
		20	
Governance	Document Scanning	1	2014/15
	Individual Registration Costs	25	2015/16
	Technical Assistant - Conservation	7	2016/17
	Transformation Programme	2	2016/17
	Contingency for Appeals	(9)	2016/17
		26	
Neighbourhoods	Contaminated land investigations	(7)	2015/16
	Flood Risk Works Pynest Green Lane	16	2017
	Town Centres Support	26	2014/15
	Council Asset Rationalisation	(8)	2014/15
	New Development Project Officer	3	2015/16
	Local Plan	66	2016/17
	Joint Working Contribution	129	2017
	Brownfield Register	15	2017
	Hillhouse	6	2016/17
	Neighbourhood Planning	(1)	2015/16
	Garden Town	665	2017
	Community Housing	53	2017
	Second hand fire truck	5	2016/17
	Payment to NEPP for redundancies	(20)	2015/16
	Roding Valley Development - Woodland Planting	50	2017
	DCLG recycling reward scheme	2	2015/16
		1,000	
Resources	Planned Building Maintenance Programme	92	2016/17
	Consultants fees	1	2016/17
	Local Council Tax New Burdens Expenditure - E-Services	52	2016/17
	Benefits Specific Grants - Data Matching	60	2016/17
	Hardship & Compliance - Benefits Officers	6	2015/16
	Benefits Specific Grants - Furniture	2	2015/16
	Temporary Additional Staffing	32	2015/16
	Emergency Premises Works	3	2015/16
		248	
	Total	**1,301**	

INVEST TO SAVE RESERVE 2016/17 - 2017/18

Communtites	Museum Resilience	**20**	2015/16
Neighbourhoods	Replacement LED lighting	14	2015/16
	ICT infrastructure	45	2016/17
	Extension to Vehicle Compound	12	2015/16
		71	
Resources	Ariel Camera System Training	1	2015/16
	Reception area structural survey	15	2016/17
	Total	**16**	
	Grand Total	**107**	

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Report to the Finance and Performance Management Cabinet Committee

Report reference: FPM-004-2017/18
Date of meeting: 22 June 2017

Epping Forest District Council

Portfolio: **Finance**

Subject: **Provisional Capital Outturn 2016/17**

Responsible Officer: **Teresa Brown (01992-564604)**

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

Recommendations/Decisions Required:

(1) That the provisional outturn report for 2016/17 be noted;

(2) That retrospective approval for the over and underspends in 2016/17 on certain capital schemes as identified in the report is recommended to Cabinet;

(3) That approval for the carry forward of unspent capital estimates into 2017/18 relating to schemes on which slippage has occurred is recommended to Cabinet; and

(4) That approval of the funding proposals outlined in this report in respect of the capital programme in 2016/17 is recommended to Cabinet.

Executive Summary:

This report sets out the Council's capital programme for 2016/17, in terms of expenditure and financing, and compares the provisional outturn figures with the revised estimates. The revised estimates, which were based on the Capital Programme, represent those adopted by the Council on 21 February 2017.

Appendix 1 summarises the Council's overall capital expenditure and funding in 2016/17. It shows the total amount of expenditure invested in Council-owned assets within the General Fund, analysed over the four directorates, and shows the sum invested in existing and new Housing Revenue Account (HRA) assets separately. Underneath this are the total sums advanced in the form of Capital Loans and the Revenue Expenditure Financed from Capital under Statute (REFCuS).

Information on individual projects or programmes is given on Appendix 2 for the General Fund Capital Programme and Appendix 3 for the HRA Capital Programme, Capital Loans and Revenue Expenditure Financed From Capital under Statute. Overspends and underspends are shown in the third column of each appendix and these are identified as budget overspends, savings, carry forwards or brought forwards on a project-by-project basis in columns four to six. In some instances, other changes are recommended; these are identified in column seven and explanations are given in the report. The carry forwards and brought forwards represent changes in the timing and phasing of schemes and the movement of estimates between financial years rather than amendments to total scheme estimates.

An analysis of the funds used to finance the Council's capital expenditure in 2016/17 is also given in Appendix 1, detailing the use of government grants, private funding, capital receipts and direct revenue funding The generation and use of capital receipts and Major Repairs Fund resources in 2016/17 are detailed in Appendix 4.

Reasons for Proposed Decision:

The funding approvals requested are intended to make best use of the Council's capital resources that are available to finance the Capital Programme.

Other Options for Action:

The Council's current policy is to use all HRA capital receipts from the sale of assets, other than Right to Buy Council House sales, to fund the Council's house building programme. However, Members have the option to use these capital receipts for other HRA or General Fund schemes if they choose. This option has been rejected to date because, unless HRA receipts are applied to affordable housing schemes, 50% of each receipt would be subject to pooling i.e. the council would have to pay 50% of these receipts to central government.

The Council retains an element of the right to buy receipts classified as 'allowable' debt. It has been agreed that 30% of the 'assumed debt' part of this element should be set aside to help finance the HRA housebuilding programme. The percentage applied to the housebuilding programme is seen as reasonable but could be amended.

Report:

Capital Expenditure

1. The Council's total investment on capital schemes and capital funded schemes in 2016/17 was £36,957,000 compared to a revised estimate of £43,077,000, representing an underspend of 14%. Appendix 1 summarises the position by Directorate for the General Fund, and shows the overall outturn position for the HRA. It also summarises the capital loans and revenue expenditure finance from capital under statute (REFCuS).

2. With regard to the General Fund projects, there was an overall underspend of £1,675,000 or 9%, details of which are shown on Appendix 2. The main variations are discussed below.

Resources

3. Within the Resources Directorate, the largest underspend was on the planned maintenance programme as many of the schemes planned at the civic offices have been delayed awaiting the outcome of the Accommodation Review. Work was restricted to essential improvements only; this included new control panels which control the heating system, lead valley guttering, fire alarm system upgrade works and the installation of the LED lighting. Planned maintenance works on other buildings were progressed; this included the resurfacing of the rear access yard at the Limes Avenue shops in Chigwell and the installation of an electrical bypass panel at the Hillhouse shops in Waltham Abbey. However, the works planned at Town Mead Depot have not progressed to date. It is recommended that the full underspend of £318,000 is carried forward pending an assessment of requirements in the light of the Accommodation Review.

4. The Information and Communication Technology (ICT) Programme progressed very well in 2016/17 with many schemes completed successfully; including the expansion of mobile working and storage solutions, the enhancement of security systems, the installation of hardware for the BACS electronic banking system, and the introduction of the customer relationship management system prototype. While slippage has occurred on the cash receipting system and the gazetteer and planning system integration programmes, other projects were completed ahead of schedule. These included the installation of the Community Services on-line booking system, the replacement of thin client devices and the extension of the Council's back-up storage system. Overall, expenditure exceeded the budget by £31,000 and it recommended that this sum is brought forward from the 2017/18 allocation to cover this.

5. The project to install two cash kiosks at the civic centre in Epping was completed in 2016/17. However, the kiosks required additional software to be developed to create a seamless integration into the general ledger system. This resulted in an overspend of £8,000 for which retrospective approval is sought. The cash kiosk stolen from Waltham Abbey was replaced at the cost budgeted and it was fully funded from the insurance money received.

6. The Council's payroll system has been transferred from a Sage to an iTrent system. Epping is now working with Braintree and Colchester to scope and build the employee/manager self-serve, health and safety, recruitment and learning elements of the system. There was an underspend of £20,000 in 2016/17, which is requested to be carried forward at this stage pending the completion of the full roll-out.

7. A small overspend of £2,000 was incurred on the customer services programme, for which retrospective approval is sought.

Neighbourhoods

8. Within the Neighbourhoods Directorate, the largest underspend relates the surrender of a lease to Glyn Hopkin Limited in respect of a motor car dealership located on the corner of Brooker Road and Cartersfield Road in Waltham Abbey. Approval was given for the Council to make a payment of £990,000 in consideration of this and immediately following completion, a new 25-year lease was entered into, delivering significant annual revenue benefit. As the negotiations were not finalised until April 2017, Members are requested to approve the carry forward of the £990,000 allocation.

9. Progress on the main works to construct a new shopping park at Langston Road has proceeded according to plan. The contractor McLaughlin and Harvey commenced works in September 2016 and have made good progress on the construction of the retail units. The units are on target to be ready for tenant fit-out towards the end of June 2017, with only minor cost variations. The revised budget and actual costs given in appendix 2 show the construction costs and fees in 2016/17 for the main contract only, and show that there was an underspend of £280,000 on the budget for the year. Approval is sought to carry this sum forward to 2017/18 in respect of the main construction works, representing a relatively minor adjustment to the budget profile. The Section 278 road improvement works, however, have been subject to delays from the outset and still represent the largest risk to the project. The revised budget and actual costs of the construction works and fees associated with the highways work are shown separately in appendix 3 as they are classified as revenue costs financed from capital under statute. The figures show an underspend of £1,060,000, which has resulted from delays primarily due to changing requirements from the Highways Authority. The main variations to the original design and programme have resulted from working restrictions in the carriageway, revised drainage requirements and the re-location of a high pressure gas main. These variations have led to additional costs, which are currently estimated at £817,000.

10. The purchase of the land owned by Essex County Council for the development at St John's Road has now been finalised, with a small saving of £1,000.

11. The construction of the new depot at Oakwood Hill was completed last summer and has been operational from September 2016. However, there have been a number of snagging disputes, as well as an ongoing issue in relation to the off-site monitoring of the alarm system. In addition, a further fire alarm system had to be installed to comply with DDA safety requirements and there are some outstanding highways works. This has resulted in an overspend of £206,000 as at 31 March 2017 for which retrospective approval is requested. A report will be submitted to Cabinet once the final account has been agreed and all costs have been finalised. A review is also being undertaken to maximise the occupancy of the building as part of the Council's wider review of accommodation.

12. Installation of the new pay and displays machines in the Council's car parks has now been completed and a saving of £10,000 was made. The LED lighting and associated electrical works are progressing well with installations in Traps Hill Car Park Loughton complete. A carry forward of £14,000 is requested to allow for lighting at subsequent car parks to be improved during 2017/18 in line with the planned schedule. The £75,000 budget allocated from the Invest to Save Fund, for the purchase and set up costs in respect of the ICT infrastructure needed for the delivery of the off-street enforcement operations was not fully spent; £45,000 is requested to be carried forward to 2017/18 for

this scheme as well.

13. The grounds maintenance plant and equipment budget was fully spent this year. It is usual practice, however, to enhance this budget to allow for the sale proceeds of sold vehicles to be used towards financing new vehicles. In 2016/17 an additional £9,000 was received, above that already taken into account at revised budget stage. Having adjusted for this, Members are requested to approve a carry forward of £6,000 into 2017/18.

14. A sum of £12,000 was included in the capital programme to extend a vehicle compound at North Weald Airfield to increase rental income by £4,000 per year. However, work has been delayed due to planning permission considerations and Members are asked to approve a carry forward of the full sum. On the other hand, a new vehicle was purchased for the airfield at a cost of £30,000, which was financed from direct revenue savings. As a result there was no impact on the Council's overall finances in 2016/17, however, savings will accrue in the future in relation to reduced maintenance costs on the new vehicle over the old.

Communities

15. The largest General Fund capital project undertaken within the Communities Directorate in recent years was the impressive extension and refurbishment of the Council's museum. Although the new facility has been open to the public since March 2016, a number of outstanding works and improvements were carried out in 2016/17. These, combined with an agreed uplift in the architect's fees, have led to an overspend of £32,000. All works are now complete and retrospective approval of this sum is sought.

16. A budget of £321,000 was set aside for the provision of additional off-street parking schemes on housing land. These schemes are joint-funded between the General Fund and the HRA, depending on the split between sold properties and Council properties. Work on the schemes planned for 2016/17 have been hindered, primarily at Torrington Drive where delays were experienced during the consultation exercise and during health and safety investigations. There has also been an ongoing dispute with Essex Highways. These delays have resulted in a large underspend of £310,000 and it is recommended that the full sum is carried forward to continue the programme in 2017/18.

17. The majority of the CCTV upgrades were completed on time and on budget as per the 2016/17 programme, although there were some small adjustments. These included completing a full upgrade and refurbishment of the Roundhills system ahead of schedule and installing 2 additional cameras at the Hemnall Street offices and Oakwood Hill depot. The latter were funded from direct revenue savings of £3,000. In addition, the car park CCTV installation project has progressed well and an additional site at Lower Queens Road car park was added to the planned programme. Members are requested to recommend the approval of a brought forward sum of £10,000 from the 2017/18 allocation.

Housing Revenue Account (HRA)

18. The approved HRA capital budget for 2016/17 was increased compared to previous years to provide for the Council's housebuilding programme. A revised budget of £20,563,000 was approved but expenditure during the year totaled £17,363,000, representing an underspend of £3,200,000 or 16%.

19. Appendix 3 shows how actual costs compared to revised budgets for each category of

work within the HRA capital programme. It shows that the largest underspend of £1,462,000 was on the Council's new housebuilding programme. This was due to problems experienced at the Burton Road site, Phase 2, when trial excavations revealed contaminated ground below the garages and the forecourt slabs. The additional work required was estimated to increase costs by around £500,000 and delayed the works by about 14 weeks. The impact on the 2016/17 outturn was an underspend of £2,025,000 in respect of phase 2. This is off-set to some extent by relatively small variations, totaling £334,000 to anticipated profiling in respect of phases 1 & 2 and the development at Barnfields, Roydon. It was further off-set as a result of costs incurred on preliminary works relating to phases 4 to 6, for which budgets had been removed from the capital programme when the moratorium on these phases was put in place. The moratorium has subsequently been lifted. Members are requested to recommend the approval of a retrospective overspend of £227,000 in respect of phases 4 to 6 and a net carry forward of £1,689,000 in respect of the other phases.

20. The second largest underspend of £769,000 was experienced on the heating, rewiring and water tank works on existing properties. Within this sum, there were savings of £27,000 on mechanical ventilation and heat recovery installations, as the milder winter temperatures generated fewer condensation issues, and there were further savings of £43,000 on water tank replacements. The majority of the underspend, however, related to slippage on the gas boiler replacement programme, primarily in the sheltered units, for which a carry forward of £741,000 is sought to complete these works.

21. There were three areas where expenditure was higher than estimated; these being disabled adaptations, fencing (within the garage and environmental improvements category) and housing conversions. Overspends in these areas were £113,000, £25,000 and £23,000 respectively and are recommended for retrospective approval. Disabled adaptations showed the largest differential, as it did in 2015/16, resulting from the rising demands of an aging population combined with an increased number of extensions provided for people with disabilities.

22. All other areas of expenditure experienced underspends to a greater or lesser extent and details of each category can be seen in Appendix 3. Additional savings, from those identified in paragraph 20 above, of £397,000 have been identified to reflect the reduced workload anticipated in future years, given Members' decision to move from modern to decent homes standards. It is recommended that £858,000 of the underspends be carried forward in order to complete outstanding works in 2017/18, with a view to identifying further savings at revised estimate stage.

23. Capital expenditure work on leaseholder properties in 2016/17 was £156,000 but there was a negative adjustment of £143,000 relating to previous financial years. Although the budget in Appendix 3 is shown as a single credit figure within the HRA capital programme, actual costs are identified to the type of work they relate to once the works are complete. In order to negate the effect of these costs within each category, the appropriate adjustments are given in the final column.

Capital Loans

24. The only loans advanced in 2016/17 were those made to individuals to improve private housing stock. Actual loans were slightly lower than anticipated by £4,000 and Members are asked to recommend this for carry forward to 2017/18.

Revenue Expenditure Financed from Capital under Statute (REFCuS)

25. The Council has the authority to use capital funds to finance certain items of revenue expenditure, known as REFCuS. Expenditure falling within this section is of a capital nature but serves to increase the value of assets not owned by the Council.

26. The largest budget in this section is for the Section 278 highways works required to enable the new shopping park at Langston Road to proceed. The revised budget and actual costs for the construction costs and fees of the retail park in 2016/17 are given in Appendix 2 and progress on this and the related section 278 works is given in paragraph 8. Members are asked to recommend that the slippage of £1,060,000 highlighted above be carried forward to 2017/18.

27. The gas replacement programme of works undertaken at Ninefields and other council flats has now been completed, with a saving of £19,000.

28. Disabled Facility Grants (DFGs) given for adaptations to private properties have risen sharply in recent years. Given the rising demand for DFGs and the increase in Central Government support to finance these grants, it is recommended that the £3,000 overspend is absorbed within the 2016/17 outturn and not deducted from future approved budgets.

29. Expenditure on leasehold flats, sold under Right to Buy legislation where the Council is the freeholder, was lower than anticipated in 2016/17 by £19,000 and it is recommended that no adjustment is made to the 2017/18 allocation due to the reimbursable nature of this budget.

30. Finally, it is recommended that the £3,000 underspend on the Loughton Broadway parking review be carried forward to 2017/18.

Expenditure Summary

31. Members are requested to recommend to Cabinet the approval of the budget overspends, savings, carry forwards and brought forwards referred to above on the schemes identified in Appendices 2 and 3. Overspends totaled £248,000 on the General Fund and £388,000 on the HRA, while there were savings of £11,000 on the General Fund and £467,000 on the HRA. In terms of slippage, carry forwards are recommended for totals of £1,995,000, £3,288,000, £4,000 and £1,063,000 for the General Fund, HRA, loans and REFCuS respectively; and brought forwards are recommended for totals of £41,000 and £5,000 for the General Fund and HRA respectively. Other variations total £42,000 on the General Fund, which represent additional expenditure funded from external and direct revenue sources. The other variations of £162,000 on the HRA are offset by an equivalent sum on REFCuS.

Funding

32. The funds available to finance the capital programme include Government grants, other public sector grants, private contributions to capital schemes, capital receipts and direct revenue funding from the General Fund and HRA. Initially any specific grants and private contributions made for particular projects are used to finance the appropriate projects, taking into account any restrictions with regard to usage and time scales. Other sources of capital finance, which carry restrictions, are also applied at the earliest opportunity in order to avoid losing potential funds. This includes the element of capital receipts generated from the sale of council houses, which is available solely for replacement affordable housing (often referred to as 1-4-1 receipts) and must be used

within three years of receipt. As a consequence, the maximum sum allowable has been applied to the 2016/17 HRA house building programme.

33. Another element of capital receipts available for capital funding is known as 'attributable' or 'allowable' debt. The Council is free to use all, none or indeed a portion of this money to fund HRA expenditure. Cabinet made a decision to use part of this sum for the new housebuilding programme, based on 30% of the 'assumed' debt of Council dwellings, calculated when the new self-financing regime was introduced in April 2012.

34. Appendix 1 identifies the sources of funding used to finance the 2016/17 capital programme and it compares the actual sums used with the amounts estimated in the revised capital programme. In total, grants of £1,799,000 were used last year compared to an estimated sum of £1,466,000, representing an increase of £333,000. This resulted primarily from the increase in private funding made available by more section 106 monies having been received for funding the new housebuilding programme.

35. The generation of capital receipts was £1,041,000 higher in 2016/17 than had been anticipated, as shown in Appendix 4. This was due to more council houses being sold than expected, following a dip in 2015/16 and the steep rise of 2014/15 when the level of maximum allowable discount under the Right to Buy (RTB) scheme was raised significantly. A total of 46 properties were sold in 2016/17 compared to 20 in 2015/16. The Council retained more of the RTB capital receipts than expected as a result of the decision to lift the moratorium on phases 4 to 6 of the housebuilding programme. As a result of these factors, plus the decision to partially fund investment in the new shopping park from HRA capital receipts, the total use of capital receipts was £6,635,000 higher than estimated. As a consequence the year-end balance on the Capital Receipts Reserve was reduced to zero as at 31 March 2017.

36. External borrowing has been avoided in 2016/17, partly by means of the internal borrowing of HRA capital receipts by the General Fund referred to above, and partly by utilising other General Fund reserves of £9,300,000. The latter is shown as unfunded capital expenditure in Appendix 1. However, the Council will need to borrow externally in 2017/18 to be able to fund its General Fund capital programme.

37. With regard to the use of direct revenue funding, the HRA contribution of £5,477,000 was higher than the revised budget by £110,000. However, the use of funds from the Major Repairs Reserve was £3,104,000 lower than estimated reflecting the underspend on HRA capital schemes. The impact of this, combined with an increase in the Major Repairs Allowance transfer, is that the balance on the Major Repairs Reserve is £3,561,000 higher than expected at £12,704,000 as at 31 March 2017.

Resource Implications:

The 2016/17 Provisional Capital Outturn totalled £17,077,000 for General Fund assets, which represents an overall underspend of £1,675,000 on the revised budget. This comprises of overspends of £248,000; savings of £11,000; slippage of £1,989,000; brought forwards of £31,000; and other overspends of £46,000 funded from revenue and external sources.

The 2016/17 HRA Provisional Capital Outturn was £17,363,000, which represents an overall underspend of £3,200,000 on the revised budget. This includes overspends of £388,000; savings of £467,000; slippage of £3,288,000; brought forwards of £5,000; and other overspends of £162,000 offset by an equivalent underspend on REFCuS.

Provisional Outturn figures on Capital Loans totalled £76,000, which represents an underspend of £4,000, all of which is slippage.

Revenue Expenditure Charged to Capital under Statute (REFCuS) totalled £2,441,000. This represents an overall budget underspend of £1,241,000 including an overspend of £3,000; a saving of £19,000; slippage of £1,063,000; and other underspends of £162,000 offset by an equivalent overspend on the HRA.

Legal and Governance Implications:

The Council's capital accounts have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA)'s Code of Practice on Local Authority Accounting in the United Kingdom 2011.

Safer, Cleaner and Greener Implications:

The Council's Capital Strategy works to incorporate safer, greener and cleaner design concepts within all capital schemes. The capital programme also supports sustainable initiatives such as the new food and recycling system which was supported by the provision of new vehicles and equipment.

Consultation Undertaken:

Progress on the capital programme is monitored regularly by the Resources Select Committee and the Finance and Performance Management Cabinet Committee. Service Directors and spending control officers are also consulted throughout the year. In addition, consultation is undertaken with the Tenants and Leaseholders Federation and the Director of Communities on the HRA programme.

Background Papers:

The capital programme approved at Cabinet in February 2017 and working papers filed for External Audit purposes.

Due Regard Record

Name of policy or activity: Capital Outturn

Date / Name	Summary of equality analysis
June 2017 Teresa Brown Principal Accountant	This report represents a financial summary of expenditure within the Council's Capital Programme in 2016/17, in addition to the associated funding for the year. At this stage the aims of the public sector equality duty will already have been taken into account when the individual schemes were originally approved. As this report does not represent a formative stage in the approval of capital projects, an equality analysis is not considered relevant in respect of this report.

CAPITAL PROGRAMME
2016/17 ACTUAL (PROVISIONAL)

	2016/17 Revised £000	2016/17 Actual £000	(Under) / Overspend £000
EXPENDITURE			
Resources	889	592	(297)
Neighbourhoods	17,423	16,310	(1,113)
Communities	440	175	(265)
Total General Fund	18,752	17,077	(1,675)
Total HRA	20,563	17,363	(3,200)
Total Capital Programme	**39,315**	**34,440**	**(4,875)**
Total Capital Loans	80	76	(4)
Total Revenue Expenditure Financed From Capital under Statute	3,682	2,441	(1,241)
TOTAL CAPITAL FUNDED PROGRAMME	**43,077**	**36,957**	**(6,120)**
FUNDING			
Government Grant for DFGs	617	611	(6)
Other Government Capital Grants	81	115	34
Private Funding	768	1,073	305
Total Grants	**1,466**	**1,799**	**333**
General Fund	20,316	9,300	(11,016)
Total Borrowing/Unfunded Expenditure	**20,316**	**9,300**	**(11,016)**
Use on General Fund schemes	1,033	6,654	5,621
Use on HRA schemes	4,044	5,058	1,014
Total Capital Receipts	**5,077**	**11,712**	**6,635**
Direct GF Revenue Funding	150	1,072	922
Direct HRA Revenue Funding	5,367	5,477	110
Major Repairs Reserve	10,701	7,597	(3,104)
Total Revenue Contributions	**16,218**	**14,146**	**(2,072)**
TOTAL	**43,077**	**36,957**	**(6,120)**

Appendix 2

GENERAL FUND CAPITAL PROGRAMME
2016/17 ACTUAL (PROVISIONAL)

	2016/17 Revised £000	2016/17 Actual £000	(Under) / Overspend £000	(Savings)/ Overspends £000	Carry Forwards £000	Brought Forwards £000	Other £000
Resources							
Planned Maintenance Programme	507	189	(318)		(318)		
ICT Projects	277	308	31			31	
Additional Equipment & Systems	90	78	(12)	8	(20)		
Customer Services Programme	15	17	2	2			
Total	**889**	**592**	**(297)**	**10**	**(338)**	**31**	**0**
Neighbourhoods							
Consideration for surrender of lease	990	0	(990)		(990)		
Langston Road Shopping Park	8,398	8,118	(280)		(280)		
St John's Road Development Epping	7,096	7,095	(1)	(1)			
Oakwood Hill Depot	703	909	206	206			
Car Parking Schemes	120	51	(69)	(10)	(59)		
Grounds Maint Plant & Equipment	93	96	3		(6)		9
N W Airfield Assets	12	30	18		(12)		30
Flood Alleviation Schemes	11	11	0				
Total	**17,423**	**16,310**	**(1,113)**	**195**	**(1,347)**	**0**	**39**
Communities							
Museum Development	32	64	32	32			
Housing Estate Parking	321	11	(310)		(310)		
CCTV Systems	87	100	13			10	3
Total	**440**	**175**	**(265)**	**32**	**(310)**	**10**	**3**
TOTAL GENERAL FUND PROGRAMME	**18,752**	**17,077**	**(1,675)**	**237**	**(1,995)**	**41**	**42**

HRA CAPITAL PROGRAMME
2016/17 ACTUAL (PROVISIONAL)

Housing Revenue Account	2016/17 Revised £000	2016/17 Actual £000	(Under) / Overspend £000	(Savings)/ Overspends £000	Carry Forwards £000	Brought Forwards £000	Other £000
New House Building	9,331	7,869	(1,462)	227	(1,689)		
Housing Conversions	0	23	23	23			
Heating/Rewiring/Water Tanks	3,635	2,866	(769)	(70)	(741)		42
Windows/Doors	1,069	838	(231)		(264)		33
Roofing	1,376	1,103	(273)	(190)			(83)
Other Planned Maintenance	127	98	(29)	(29)			
Structural Schemes	700	528	(172)		(174)		2
Kitchen & Bathroom Replacements	3,048	2,840	(208)	(178)	(30)		
Garages & Environmental Improvements	497	345	(152)	25	(177)		
North Weald Depot	70	11	(59)		(59)		
Disabled Adaptations	430	543	113	113			
Other Repairs and Maintenance	223	228	5			5	
Capital Service Enhancements	124	71	(53)		(46)		(7)
Housing Repairs Vehicles	108	0	(108)		(108)		
Less Work on Leasehold Properties	(175)	0	175				175
TOTAL HRA PROGRAMME	**20,563**	**17,363**	**(3,200)**	**(79)**	**(3,288)**	**5**	**162**

CAPITAL LOANS
2016/17 ACTUAL (PROVISIONAL)

Capital Loans	2016/17 Revised £000	2016/17 Actual £000	(Under) / Overspend £000	Savings/ Overspends £000	Carry Forwards £000	Brought Forwards £000	Other £000
Private Sector Housing Loans	80	76	(4)		(4)		
TOTAL CAPITAL LOANS	**80**	**76**	**(4)**	**0**	**(4)**	**0**	**0**

REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE
2016/17 ACTUAL (PROVISIONAL)

REFCuS	2016/17 Revised £000	2016/17 Actual £000	(Under) / Overspend £000	Savings/ Overspends £000	Carry Forwards £000	Brought Forwards £000	Other £000
Langston Road Shopping Park	2,688	1,628	(1,060)		(1,060)		
Disabled Facilities Grants	630	633	3	3			
Gas Pipe Replacement Programme	129	110	(19)	(19)			
Recharged Work on Leasehold Properties	175	156	(19)				(19)
Adjustment for Leasehold Properties	0	(143)	(143)				(143)
Parking Review Schemes	60	57	(3)		(3)		
TOTAL REFCuS	**3,682**	**2,441**	**(1,241)**	**(16)**	**(1,063)**	**0**	**(162)**

CAPITAL RECEIPTS
2016/17 ACTUAL (PROVISIONAL)

	2016/17 Revised £000	2016/17 Actual £000	2016/17 Variation £000
Receipts Generation			
Housing Revenue Account	6,755	7,788	1,033
General Fund	3,007	3,015	8
Total Receipts	**9,762**	**10,803**	**1,041**
Receipts Analysis			
Usable Receipts	4,406	4,637	231
Available for Replacement Homes	1,019	3,287	2,268
Payment to Govt Pool	4,337	2,879	(1,458)
Total Receipts	**9,762**	**10,803**	**1,041**
Usable Capital Receipt Balances			
Opening Balance	3,788	3,788	0
Usable Receipts Arising	5,425	7,924	2,499
Use of Other Capital Receipts	(5,077)	(11,712)	(6,635)
Closing Balance	**4,136**	**0**	**(4,136)**

MAJOR REPAIRS RESERVE
2016/17 ACTUAL (PROVISIONAL)

	2016/17 Revised £000	2016/17 Actual £000	2016/17 Variation £000
Opening Balance	12,291	12,291	0
Major Repairs Allowance	7,553	8,010	457
Use of MRR	(10,701)	(7,597)	3,104
Closing Balance	**9,143**	**12,704**	**3,561**

Report to the Finance and Performance Management Cabinet Committee

Report Reference: FPM-005-2017/18
Date of meeting: 22 June 2017

Epping Forest 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 agree the updating of the Effectiveness of controls/actions and Required further management action for Risk 1;

2. To agree the updating of the Effectiveness of controls/actions and Required further management action for Risk 2;

3. To agree the updating of the Effectiveness of controls/actions and Required further management action for Risk 5;

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

5. To agree that the amended Corporate Risk Register be recommended to Cabinet for approval.

Executive Summary:

The Corporate Risk Register was considered by the Risk Management Group on 1 June 2017 and has subsequently been reviewed by Management Board. These reviews identified amendments to the Corporate Risk Register.

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 June 2017 with a subsequent review by Management Board. The Risk Management Group review exercised caution when considering the risks that are directly influenced by Government policy due to the General Election on 8 June. However, the following amendments have been identified and incorporated into the register (Appendix 1).

2. Risk 1 Local Plan – The Existing Control/Actions has been updated to advise that a Memorandum of Understanding is being pursued with Natural England regarding the effect of development on Epping Forest. It is also intended that a Memorandum of Understanding for the Strategic Housing Market Assessment (SHMA) area will be extended to include neighbouring London Boroughs. The Effectiveness of controls/actions now confirms that Essex County Council and Highways England regularly attend Co-op Member and Officer Meetings.

3. Risk 2 Strategic Sites – The Effectiveness of controls/actions have been amended to advise the updated position for the key sites. Work now nears completion at the Winston Churchill site. The Langston Road site reaches Practical Completion in Mid-June, most large unit leases are now signed. A detailed planning application has been submitted for Waltham Abbey Leisure Centre.

4. Risk 5 Economic Development – The Action Plan has been updated to advise the current position. The Existing Controls/Actions now advise Members have agreed the key objectives to be delivered by the Economic Development Strategy and that work on the final strategy has paused, pending the outcome of further evidence work being undertaken as part of the Local Plan. The Existing Controls/Actions also advise that the Economic Development Team is now fully staffed. The final new Existing Control/Action is to advise that the Employment Study for the Local Plan nears completion. The resulting report from the study will require consideration at Member workshops, this has been added as a Required Further Management Action.

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
08/06/17 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: 22 June 2017

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.

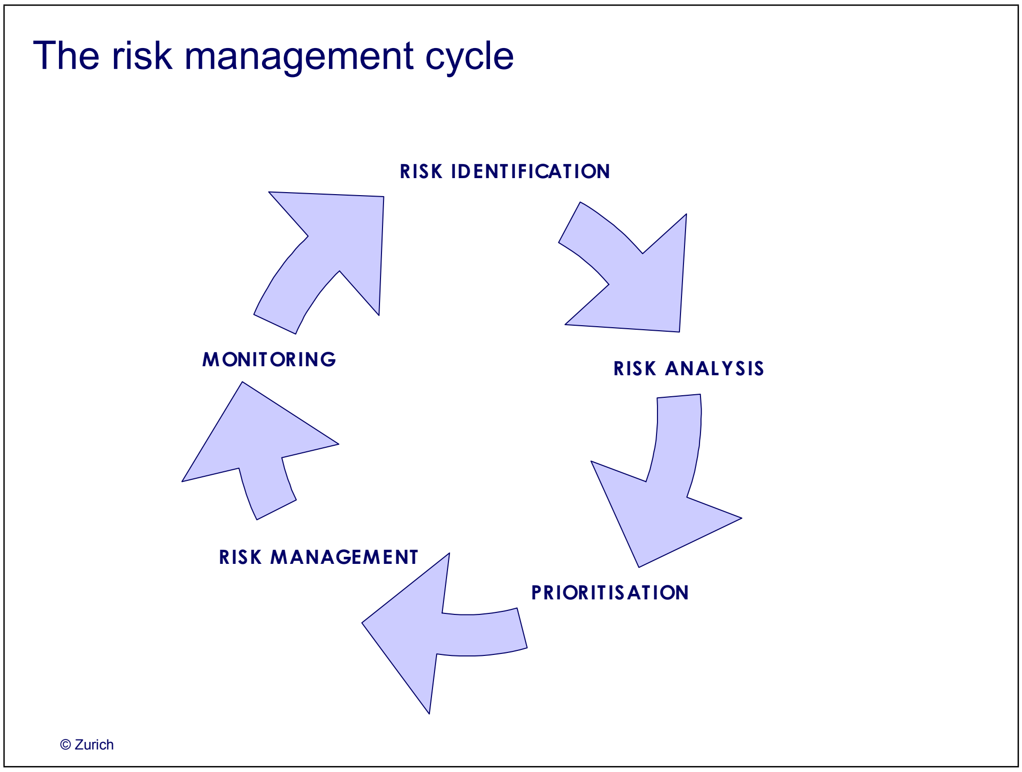
In total 8 strategic risks were profiled at the workshop and during the workshop, each risk was discussed to ensure common agreement and understanding of its description and then prioritised on a matrix. The risk matrix measured each risk for its likelihood and its impact in terms of its potential for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

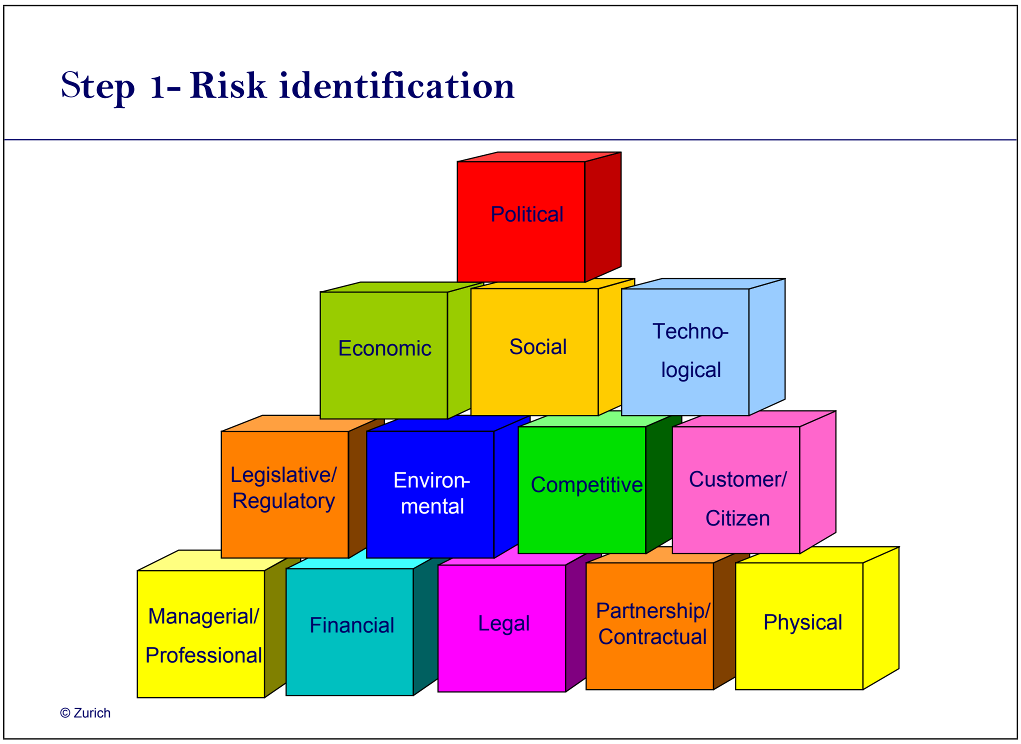
The following report outlines the process utilised by Zurich Risk Engineering and the results achieved.

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 filters, 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.

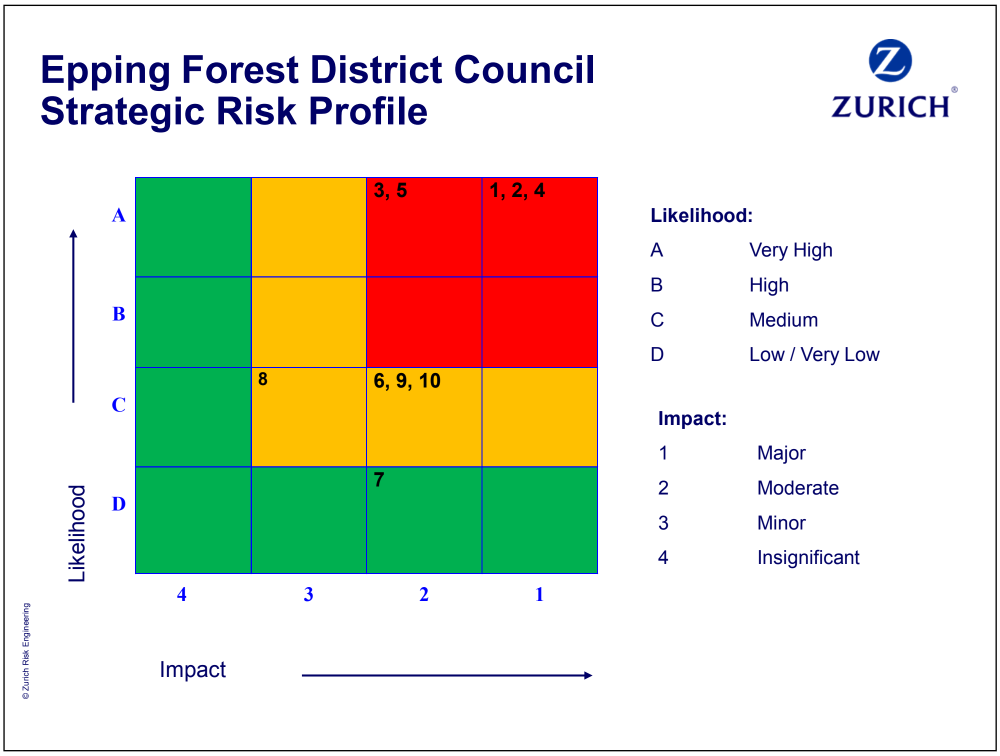
The monitoring of these action plans takes place at Corporate Governance Group, Management Board and the Risk Management Group. The action plans are also reported to Members quarterly.

As part of the regular review and reporting an additional risk on Safeguarding was added to the register in January 2014. The most recent addition was a risk covering various aspects of Housing Capital Finance and this was added in June 2015.

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:

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
10	Housing Capital

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, in particular, Central Government's announcement that Local Authorities must complete by 2017 or face sanctions	Failure to make timely decisions and adhere to Local Development Scheme Project Plan.	Reduced ability to manage development in line with local priorities and provide strategic direction. Possible Government intervention through designation as a failing authority, loss of control over the local plan process and loss of new homes bonus.	Derek Macnab
Changes in government planning policy require new Local Plan to take approaches significantly different from predecessors e.g. 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 to 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	
Particular vulnerability to delay in approvals from Highways England on strategic modelling delay ability to understand impacts of delivering to objectively assessed need levels.	Failure to make timely decisions on Preferred Approach plan due to lack of required information	As above	
Protracted process of achieving local highway modelling	As above	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.	
Planning policy recruitment and retention issues. Not considering alternative options of delivering work i.e outsourcing.	Inability to fill vacancies.	Delays in achieving timetable.	

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.	MB review 6 weekly	None – process ongoing.
Local Development Scheme revised March 2017.	Local Development Scheme adopted by Cabinet 9 March 2017.	Review progress against key milestones.	Derek Macnab	Local Development Scheme remains robust	As necessary	
Workshops for EFDC and Town/Parish councillors on key issues to enhance awareness and understanding of new government requirements.	Workshops popular and helpful.	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 e.g. ad hoc meetings with Town/Parish councils, Resident Associations and website, making positive use of external PR firm.	Utilising existing mechanisms including Local Council Liaison Committee. Intensive engagement takes place in lead up to formal consultations. Ongoing discussions being had around Neighbourhood Plans.	Assess responses to consultation.	Derek Macnab	Stakeholders feel well informed about process and decisions. Informed responses to public consultation.	As necessary	

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 (MoU) with key councils in the Strategic Housing Market Area (SHMA).	Difficulties and delay in engaging councils in serious discussion re MoU, however progress now being made. Meetings held with most other key bodies with positive outcomes, issues identified. Constant review of Planning Inspectorate local plan decisions re Duty to Co-operate.	Important that key decisions do not precede Duty to Co-operate i.e. “fait accompli”- Group is exploring additional items to be included on discussion agenda. Engage further key bodies e.g. Lee Valley Regional Park. Discuss informally with Planning Inspectorate as necessary.	Derek Macnab	Submitted plan passes legal test of Duty to Co-operate.	MB review six weekly	Officer Meetings – monthly now underway. Governance arrangements agreed. “Duty to Co-operate” Member meetings now ongoing.
Pursuit of MoU with Natural England regarding the effect of development on Epping Forest. Intention to extend MoU outside of SHMA Area to include neighbouring London Boroughs.	Effect as yet unknown	Invitation now extended to additional partners. Work to review outcomes of draft MoU has commenced.	Derek Macnab	Review and agreement of wider area MoU to include agreed mitigating actions.		As above
Consistent close working with Essex County Council through relevant structures, and individual officers	ECC and Highways England regular attendees at Co-op Member and Officer meetings.					
Consultants in place to support project management, resource planning, Sustainability Assessment, transport modelling, master planning. IR35 Regulations from 7 April complicating and compounding recruitment of consultants.	Staff cannot be prevented from leaving. Exit interviews should reveal any specific patterns. Market is picking up, making recruitment more difficult. EFDC is not offering the most competitive salaries compared to other Essex and London authorities.	Ongoing review of strategy by senior planners and Management Board. Scrutiny Function to be undertaken by Neighbourhood Select Committee.	Derek Macnab	No delays to timetable due to staffing gaps or lack of critical skills		

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. One key individual is driving forward the projects.	Not maximising the opportunity of the strategic sites either through decisions or delivery. Loss of key individual	• Financial viability of Council harmed • Lack of economic development and job creation • External criticism • Project delayed or mismanaged	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**
Work on strategic sites is co-ordinated through a dedicated Cabinet Committee.	Work is progressing on developing a number of sites: 1. Winston Churchill, works now nearly complete; 2. St Johns, work progressing on tri-partite agreement with developer and Town Council; 3. Langston Road, practical completion mid-June and leases signed on most of large units; 4. Waltham Abbey Leisure Centre; a detailed planning application has been submitted; 5. Pyrles Lane Nursery, DDMC granted consent for the redevelopment of the site in February 2016.	Reports to Cabinet Committee and Cabinet to obtain decisions on development options. Identification of alternative Housing depot and re-location. Meeting arranged with Highway Authority. Obtain detailed planning consent. Produce marketing strategy.	Derek Macnab	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 has pledged to make substantial savings from the overall welfare bill. This will require 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 full version of universal credit still unclear.

Risk No 4 Finance Income A1

Vulnerability	Trigger	Consequence	Risk Owner
The Government are consulting on significant changes in responsibilities and financing. Despite four year settlements being in place further reductions still likely. A large number of rating appeals have been received and the outcome of these is uncertain. 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 reduced demand for services, changes in legislation or adverse change in funding mechanisms.	• 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	20 July, update of Medium Term Financial Strategy.

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	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
Members have agreed the key objectives to be delivered by the Economic Development Strategy. Work on final strategy has paused pending outcome of further evidence work e.g. Employment/Visitor Economy being undertaken as part of the Local Plan. Economic Development Team fully staffed.	Too early to determine effectiveness.	Amend and update following consultation on Local Plan.	Derek Macnab	Growth in NDR tax base and employment opportunities. Council to be viewed as punching above its weight.	Monthly	None
Employment Study for Local Plan nearing completion.	Awaiting Final Consultants Report.	Member Workshop dates agreed to consider outcomes of study. Agreement on potential distribution of employment land required between partners in the Functional Economic Market Area.	Derek Macnab	Employment allocation in Reg. 19 submission, considered sound at Examination in Public.	Monthly	July 2017

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	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
Updated Data Protection policy agreed by Corporate Governance Group and rolling out through meta-compliance. Data Protection formed part of Member induction from May 2014, with requirement to confirm acceptance of the Council's DP policy. Consolidation of Data Protection and Freedom of Information work in one area. 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.	Generally effective to date, with no significant lapses so far in 2017/18.	Update F.O.I. publication scheme and guide to information. New system for handling F.O.I. requests purchased and being implemented. Review after six months for extension to Data Protection. Data sharing and fair processing notices to be reviewed and standardised. Maintain GCSx compliance and system controls. A working group is reviewing data held by Directorates to eliminate duplication and any inadvertent Data Protection issues. The group is also looking at changes necessary for implementing GDPR.	Colleen O'Boyle	Continued security of personal data held by the Council in accordance with the Data Protections Act 1998. No criticism from the ICO over how requests are handled. No data loss or system downtime due to unauthorised access of EFDC systems or data.	Quarterly	None

Risk No 7 Business Continuity D2

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 Corporate Plan has been updated and adopted.	The effectiveness of controls is assessed periodically through test and exercises	Guidance to be issued to services on updating plans. Arrange periodic tests and exercises.	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 Select Committee. 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. Internal Audit conducted an audit of partnerships and gave a rating of substantial assurance.	Continue existing monitoring procedures for current partnerships and construct appropriate arrangements for any new partnerships. Service areas need to ensure their own risk registers cover any significant partnerships they are involved with.	Glen Chipp	No significant impacts on service delivery or Council reputation from any partnership failures.	Quarterly	None

Risk No 9 Safeguarding C2			
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 and the Care Act 2014, which refer to adults with needs for care and support. This includes a specific responsibility for safeguarding adults from self-neglect.	The Council fails to meet its duties in regard to safeguarding children, young people and adults with needs for care and support.	• 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 Safeguarding Policy (2015), which is updated in line with new legislation. The policy details what is required of all staff and Elected Members and is supported by a set of procedures which set out the process for recording safeguarding concerns, incidents and allegations.	The Council has reduced the risk of safeguarding issues going unnoticed by staff and Elected Members by providing a range of training and production of the new Policy and procedures in 2015.	Leadership Team and Managers to continue to promote vigilance amongst staff. The Council needs to ensure timely response to changes in legislation or local procedures.	Alan Hall	The Council meets all of its duties under Section 11 and 47. The Council meets the new duties of the Care Act 2014. The Council fully meets all aspects of the ESCB/ESAB Safeguarding self - assessment.	Monthly	ESCB (Safeguarding Children) Audit to be submitted October 2017.
A corporate Safeguarding Group ensures sharing of best practice and information across Directorates and enables the identification of any weaknesses in the Council's work.	This group has become an effective forum for sharing of best practice and commitment from all Directorates is shown.	Directorates need to continue to commit time for representatives to attend the Corporate Working Group.				
Council policies have been developed for all new and emerging safeguarding issues such as Child Sexual Exploitation (CSE).	Several of these policies have been used across Essex as examples of best practice.	An ongoing rolling programme of training needs to be in place, to update and refresh staff and Elected Member awareness in the new and emerging issues.				
A Safeguarding Strategy and Action Plan has been adopted by Cabinet.	The Safeguarding Strategy and Action Plan set out the areas requiring further improvement.					
The Safeguarding Officer and part time Admin. Posts have now been included in the establishment.	These posts have enabled a Safeguarding 'Hub', which all EFDC safeguarding issues are filtered through. The number of concerns identified in the last year has increased significantly.					
Nursery Worker Accommodation Task Group established.		The group has developed an action plan which is submitted to Management Board.				

Risk No 10 Housing Capital Finance C2			
Vulnerability	**Trigger**	**Consequence**	**Risk Owner**
If the Council is unable to spend right to buy receipts in set timescale on qualifying capital schemes we will have to pay the money to the Government along with interest at a penalty rate. Changes to legislation which reduce income to the HRA. The Government is introducing right to buy for tenants of housing associations financed through the forced sales of Council properties as they become void. The initial pilot is being expanded in 2017/18 with funding from the Treasury. What will happen beyond 2017/18 remains unclear.	Schemes are delayed by either the planning process or unanticipated site problems. Imposition of further restrictions on rent levels. Imposition of right to buy scheme which requires the disposal of a large proportion of the Council's void properties.	• Loss of capital resources • Revenues cost of penalty interest • Loss of rental income • Delays in provision of new social housing • Increase in housing waiting list • Current 30 year business plan may become unsustainable.	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
Position being monitored by the House Building Cabinet Committee and a number of contingency options are available including purchasing on the open market.	Effective to date.	Continue close monitoring of financial position. Keeping Members fully informed of the potential consequences of their actions.	Alan Hall	Loss of right to buy receipts is minimised.	Monthly	Ongoing
The Council belongs to the Association of Retained Council Housing which lobbies on such issues.	Too early to comment yet as the policy is still being developed.	Monitor policy development/announcements and participate in lobbying if appropriate.	Alan Hall	No loss of Council properties to support right to buy for HA tenants.	Monthly	

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