

# South Hams Audit Committee



<b>Title:</b>	<b>Agenda</b>
<b>Date:</b>	<b>Thursday, 22nd March, 2018</b>
<b>Time:</b>	<b>2.00 pm</b>
<b>Venue:</b>	<b>Cary Room - Follaton House</b>
<b>Full Members:</b>	<p style="text-align: center;"><b>Chairman</b> Cllr Pearce</p> <p style="text-align: center;"><b>Vice Chairman</b> Cllr Pennington</p> <p><i>Members:</i> Cllr Bramble Cllr Holway Cllr Brazil</p>
<b>Interests – Declaration and Restriction on Participation:</b>	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
<b>Committee administrator:</b>	Member.Services@swdevon.gov.uk

<b>1. Minutes</b>	<b>1 - 6</b>
To approve as a correct record and authorise the Chairman to sign the minutes of the Audit Committee held on 25 January 2018;	
<b>2. Urgent Business</b>	
Brought forward at the discretion of the Chairman;	
<b>3. Division of Agenda</b>	
To consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;	
<b>4. Declarations of Interest</b>	
Members are invited to declare any personal or disclosable pecuniary interests they may have, including the nature and extent of such interests, in any items to be considered at this meeting;	
<b>5. KPMG External Audit Plan 2017/18</b>	<b>7 - 30</b>
<b>6. KPMG Annual Audit Fee 2017/18 (Addendum - Confirmation of Certification Fees)</b>	<b>31 - 32</b>
<b>7. KPMG Interim Audit 2017/18 - Progress Update</b>	<b>33 - 34</b>
<b>8. 2018/19 Treasury Management Strategy</b>	<b>35 - 78</b>
<b>9. Draft Budget Book 2018/19</b>	<b>79 - 100</b>
<b>10. Shared Services Methodology 2017/18</b>	<b>101 - 108</b>
<b>11. Sundry Debt</b>	<b>109 - 112</b>
<b>12. Housing Benefit Overpayments Process and Recovery</b>	<b>113 - 122</b>
<b>13. 2018/19 Internal Audit Plan</b>	<b>123 - 130</b>
<b>14. Strategic Risk Management - Regular Update</b>	<b>131 - 140</b>
<b>15. General Data Protection Regulation (GDPR) - Readiness and Impact</b>	<b>141 - 154</b>

**16. Annual Review of the Council Constitution**

Report to follow

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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 25 JANUARY 2018**

<b>Members in attendance</b>			
* Denotes attendance			
∅ Denotes apology for absence			
*	Cllr I Bramble	*	Cllr J A Pearce (Chairman)
*	Cllr J Brazil	*	Cllr J T Pennington (Vice-Chairman)
*	Cllr T R Holway		

<b>Members also in attendance:</b>
Cllrs M J Hicks and S A E Wright

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Section 151 Officer; Group Manager (Customer First and Support Services); Internal Audit Manager; KPMG Manager; Senior Specialist – ICT (Information Security); and Senior Specialist – Democratic Services

**A.25/17 MINUTES**

The minutes of the meeting held on 21 September 2017 were confirmed as a correct record and signed by the Chairman.

For clarity, the Chairman advised that it had now been ascertained that the sea wall at Hope Cove was not within the ownership of the Council.

**A.26/17 DECLARATIONS OF INTEREST**

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting, but none were made.

**A.27/17 KPMG ANNUAL AUDIT LETTER AND CLOSURE OF THE AUDIT LETTER**

The Committee received the Council's Annual Audit Letter that summarised the key findings arising from the work that KPMG had carried out at the Council during the 2016/2017 audit year.

In discussion, reference was made to:-

- (a) the shared services methodology. The Committee acknowledged that it had given its approval to the methodology of the shared services apportionment of costs between the Council and West Devon Borough Council at its meeting on 22 June 2017 (Minute A.6/17 refers). In addition, Members were assured that the methodology for 2017/18 would be presented to a future Committee meeting;
- (b) the Audit Fee. The Committee was advised that the Audit Fee would be retained at £43,404 (excluding VAT) for 2017/18;
- (c) the decision-making processes. The KPMG Manager advised that the focus for any External Auditor was on ensuring that Members were given access to sufficient information to be able to make a decision as opposed to the actual decision taken by Members;
- (d) the Value for Money conclusion. In commending the Council's 'unqualified' conclusion, the KPMG Manager informed that a number of local authorities did not obtain the same positive outcome.

It was then:

**RESOLVED**

That the content of the Annual Audit Letter and the Closure of the Audit Letter (as outlined in the presented agenda report) be welcomed.

A.28/17

**KPMG CERTIFICATION OF CLAIMS AND RETURNS – ANNUAL REPORT 2016/17**

The KPMG Manager presented the annual report for the certification work that had been undertaken for 2016/17.

In so doing, the Manager highlighted that this work had not identified any issues or errors and KPMG had certified the claim as being 'unqualified without amendment'. In reply to a question, the Committee was informed that only 25% of local authorities had obtained this result. Members proceeded to pay tribute to this outcome.

It was then:

**RESOLVED**

That the content of the letter and annual report be endorsed.

**A.29/17 UPDATE ON THE APPOINTMENT OF THE EXTERNAL AUDITOR**

The Committee considered formal communication that had been sent to the Council's Head of Paid Service and Section 151 Officer that confirmed that Grant Thornton (UK) LLP had been appointed as the Council's External Auditor from 2018/19 to 2022/23.

It was then:

**RESOLVED**

That the Committee acknowledge that Grant Thornton (UK) LLP has been appointed as the Council's External Auditor from 2018/19 to 2022/23.

**A.30/17 UPDATE ON PROGRESS ON THE 2017/18 INTERNAL AUDIT PLAN**

The Committee considered a report that informed it of the principal activities and findings of the Council's Internal Audit team for 2017/18 to 31 December 2017 by:

- Showing the progress made by Internal Audit against the 2017/18 annual Internal Audit plan (as approved by the Committee in March 2017);
- Highlighting any revisions to the 2017/18 Internal Audit plan; and
- Providing a further update on the Council's review of its approach to pursuing debtors and the latest available outstanding debt figures.

In discussion, reference was made to:-

- (a) the Strategic Debt Review update. In welcoming the update (Appendix D of the presented agenda report refers), there was a general sense that the recent recommendations had led to service improvements. That being said, the Committee did request a standalone agenda item at its next meeting on 22 March 2018 that particularly highlighted potential measures for further increased service efficiencies. It was also requested that this item should enable for consideration of the merits of imposing interest charges on unpaid commercial debts;
- (b) the management responses. To enable the Committee to monitor progress, the request was made for the latest management response updates to the Audit Findings to be emboldened in future versions of the report;
- (c) some specific queries raised by the Vice-Chairman. In reply to some specific queries related to the Audit Opinion 'fundamental weaknesses' identified, it was agreed that responses would be sent to the Vice-Chairman outside of this meeting. In addition, Members requested that, in the future, a standing agenda item be included whereby updates be given on those areas with an identified 'fundamental weakness';

- (d) the Business Continuity Audit findings. The Committee queried the view that it was considered unnecessary to adopt a Business Continuity Strategy. In reply, officers informed that it was considered more appropriate for service level Business Continuity Plans to be produced. As a further assurance, it was noted that a number of exercises would be carried out to test these Plans and it was also agreed that the outcomes would be shared with interested Members.

It was then:

**RESOLVED**

That the progress made against the 2017/18 Internal Audit Plan (and any key issues arising) be approved.

**A.31/17 TREASURY MANAGEMENT MID-YEAR REVIEW**

The Committee considered a report that presented the half-yearly Treasury Management position. In so doing, Members noted that a version of this report was also considered by the Executive at its meeting on 7 December 2017 (Minute E.47/17 refers).

In discussion, reference was made to:-

- (a) a revised Treasury Management Strategy. The Committee noted that it was intended for a revised Strategy to be presented to the Executive meeting on 15 March 2018. It was acknowledged that the current Strategy was particularly risk averse and some Members expressed the view that the Council could be gaining a greater rate of return than it currently was without moving too far away from its approach to risk;
- (b) the current list of prudential indicators. Officers confirmed that Central Government was currently undertaking a review of the list of prudential indicators;
- (c) the CCLA Property Fund. A Member expressed his support for the potential for some funds to be invested in the CCLA Property Fund and looked forward to a report on this matter being presented in the future;
- (d) any potential future local government reviews. In such uncertain times for local government, Members felt there was a need to keep a close watch on any potential structural reviews.

It was then:

**RESOLVED**

That the contents of the report be endorsed.

A.32/17 **EXCLUSION OF PUBLIC AND PRESS**

**RESOLVED**

That in accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following item of business as the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Act is involved.

A.33/17 **CYBER SECURITY – VERBAL UPDATE**

In response to a Member request, the Senior Specialist – ICT (Information Security) was in attendance to provide an exempt update on the Council's approach to cyber security.

Having received a comprehensive update, the Committee was reassured and very pleased with the work that was being undertaken by officers to protect the Council against potential cyber attacks.

(Meeting commenced at 2.00 pm and finished at 3.30 pm)

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Chairman

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# External Audit Plan 2017/2018

**South Hams District  
Council**  
March 2018



# Summary for Audit Committee

## Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017. This represents a significant change for the Authority and will need to be carefully managed in order to ensure the new deadlines are met. As a result we have recognised a significant risk in relation to this matter.

In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

## Materiality

Materiality for planning purposes has been set at £1,200,000.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at £60,000.

## Significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated, as well as reviewing the basis of valuation for those assets that have been revalued;
- **Pension Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure completeness and accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.
- **Faster Close** – As set out above, the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We will work with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work; and
- **Allocation of Shared Costs** – The Authority operates on a shared service basis with its neighbour, West Devon Borough Council. As a result of this arrangement, costs are initially borne by each authority individually and then an exercise is undertaken to allocate them on an appropriate and consistent basis. This is essential to ensuring that the Authority recognises its full costs and to prevent cross subsidy between the two authorities.



# Summary for Audit Committee (cont.)

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## Financial Statements (cont.)

### Other areas of audit focus

As at the date of this report, we have not identified any specific risks with less likelihood of giving rise to a material error but which are nevertheless worthy of additional audit focus.

**See pages 3 to 10 for more details**

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## Value for Money Arrangements work

We have not yet completed our detailed risk assessment regarding your arrangements to secure value for money, however our initial VFM audit planning has identified the following significant VFM audit risk to date:

- **Delivery of Budgets** – As a result of reductions in central government funding, and other pressures, the Authority is having to make additional savings beyond those from prior years and also pursue income generation strategies. We will review the controls in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration relevant factors and sensitivity analysis. We will also consider the way in which the Authority identifies, approves, and monitors both savings plans and income generation projects and how budgets are monitored throughout the year; and

**See pages 11 to 15 for more details**

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## Logistics

Our team is:

- Darren Gilbert - Director
- Adam Bunting - Manager
- Kevin Goodwin – In-Charge

More details are in **Appendix 2**.

Our work will be completed in four phases from January to July and our key deliverables are this Audit Plan, an Interim Report / Letter and a Report to Those Charged With Governance as outlined on **page 18**.

Our fee for the 2017/18 audit is £39,396 (£39,396 2016/2017) see **page 17**. These fees are in line with the scale fees published by PSAA.

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## Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

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# Introduction

## Background and Statutory responsibilities

This document supplements our Audit Fee Letter 2017/18 issued to you in March 2017, which also sets out details of our appointment by Public Sector Audit Appointments Ltd (PSAA).

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice and the PSAA Statement of Responsibilities.

## Our audit has two key objectives, requiring us to audit/review and report on your:

**01 | Financial statements :**  
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and

**02 | Use of resources:**  
Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. Any change to our identified risks will be reporting to the Audit Committee.

## Financial Statements Audit

Our financial statements audit work follows a four stage audit process which is identified below. Appendix 1 provides more detail on the activities that this includes. This report concentrates on the Financial Statements Audit Planning stage of the Financial Statements Audit.



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 12 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18.



# Financial statements audit planning

## Financial Statements Audit Planning

Our planning work takes place during January 2018. This involves the following key aspects:

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of management's use of experts; and
- Issuing this audit plan to communicate our audit strategy.

## Risk assessment

Auditing standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our ISA 260 Report.

# 01

## Management override of controls

Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

As a specific element of this work, we consider the approach adopted in relation to the allocation of shared costs between the South Hams District Council and West Devon Borough Council (see page 9).

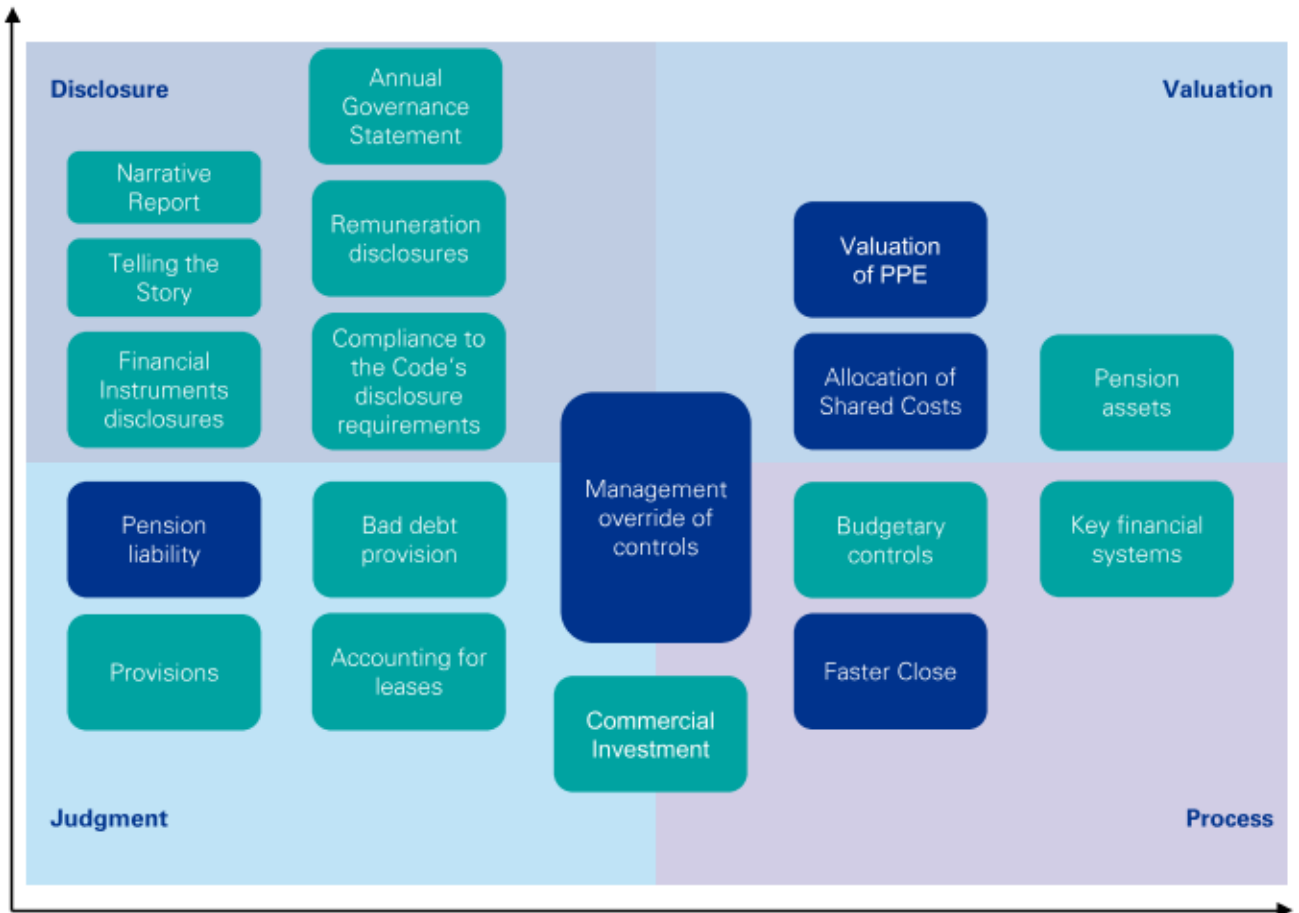
# 02

## Fraudulent revenue recognition

We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

# Financial statements audit planning (cont.)

The diagram below identifies significant risks and other areas of audit focus, which we expand on overleaf. The diagram also identifies a range of other areas considered by our audit approach.



**Keys:** ■ Significant risk ■ Other area of audit focus ■ Example other areas considered by our approach

# Financial statements audit planning (cont.)

## Significant Audit Risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

<b>Risk:</b>	<b>Valuation of PPE</b> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. As a result of this, however, individual assets may not be revalued for four years.</p> <p>This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value. In addition, as the valuation is undertaken as at 1 April, there is a risk that the fair value is different at the year end.</p>
<b>Approach:</b>	<p>We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. We will also assess the risk of the valuation changing materially during the year.</p> <p>In addition, we will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.</p> <p>In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).</p>

# Financial statements audit planning (cont.)

## Significant Audit Risks (cont.)

<b>Risk:</b>	<p><b>Pension Liabilities</b></p> <p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of Devon County Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This continues to form an integral basis of the valuation as at 31 March 2018.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.</p>
<b>Approach:</b>	<p>As part of our work we will review the controls that the Authority has in place over the information sent directly to the Scheme Actuary (Barnett Waddingham). We will also liaise with the auditors of the Pension Fund in order to gain an understanding of the effectiveness of those controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of Barnett Waddingham.</p> <p>We will review the appropriateness of the key assumptions included within the valuation, compare them to expected ranges, and consider the need to make use of a KPMG Actuary. We will review the methodology applied in the valuation by Barnett Waddingham.</p> <p>In addition, we will review the overall Actuarial valuation and consider the disclosure implications in the financial statements.</p>



# Financial statements audit planning (cont.)

## Significant Audit Risks (cont.)

<b>Risk:</b>	<b>Faster Close</b> <p>In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 however, revised deadlines apply which require draft accounts by 31 May and final signed accounts by 31 July.</p> <p>These changes represent a significant change to the timetable that the Authority has previously worked to. The time available to produce draft accounts has been reduced by one month and the overall time available for completion of both accounts production and audit is two months shorter than in prior years. Whilst we are aware that the Authority has begun to plan and prepare for the revised timetable, there is still significant amount of work to be completed.</p> <p>In order to meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. In addition, there are a number of logistical challenges that will need to be managed. These include:</p> <ul style="list-style-type: none"><li>— Ensuring that any third parties involved in the production of the accounts (including valuers and actuaries) are aware of the revised deadlines and have made arrangements to provide the output of their work in accordance with this;</li><li>— Revising the closedown and accounts production timetable to ensure that all working papers and other supporting documentation are available at the start of the audit process;</li><li>— Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and</li><li>— Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.</li></ul> <p>In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline.</p> <p>There is also an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is not a matter of concern and is not seen as a breach of deadlines.</p>
<b>Approach:</b>	<p>We will continue to liaise with officers in preparation for our audit in order to understand the steps that the Authority is taking in order to ensure it meets the revised deadlines. We will also look to advance audit work into the interim visit in order to streamline the year end audit work.</p> <p>Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.</p>

# Financial statements audit planning (cont.)

## Significant Audit Risks (cont.)

<b>Risk:</b>	<b>Allocation of Shared Costs</b> <p>The Authority operates a share service basis with its neighbour, West Devon Borough Council. As a result of this arrangement, costs are initially borne by each authority individually and then an exercise is undertaken to allocate them on an appropriate and consistent basis. This is essential to ensuring that the Authority recognises its full costs and to prevent cross subsidy between the two authorities. In order to operate effectively, the allocation of costs must be undertaken on an appropriate basis which reflects the nature of the underlying activities and the way in which resources are consumed.</p>
<b>Approach:</b>	<p>Building upon our work undertaken during the 2016/2017 audit, we will review the way in which shared costs have been allocated to the Authority and ensure that:</p> <ul style="list-style-type: none"><li>— The basis of allocation is appropriate and reflects the nature of the activities involved;</li><li>— The allocation basis, and any changes from prior year, has been approved appropriately by management and is subject to appropriate review; and</li><li>— The allocation has been appropriately calculated and the resulting costs recognised.</li></ul>



# Financial statements audit planning (cont.)

## Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements.

Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Authority, materiality for planning purposes has been set at £1,200,000 for the Authority's standalone accounts which equates to 1.9% of gross expenditure.

We design our procedures to detect errors in specific accounts at a lower level of precision.

**Prior Year Gross Expenditure: £68.8m**

### Materiality

**£1.2m**

**1.7% of Expenditure**

(2016/17: £1.2m, 1.7%)



**£60k** Misstatements reported to the audit committee (2016/17: £60k)

**£900k** Procedures designed to detect individual errors (2016/17: £850k)

**£1.2m** Materiality for the financial statements as a whole (2016/17: £600k)

## Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £60,000.

If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

### We will report:



Non-Trivial corrected audit misstatements



Non-trivial uncorrected audit misstatements



Errors and omissions in disclosure (Corrected and uncorrected)

# Value for money arrangements work

## VFM audit approach

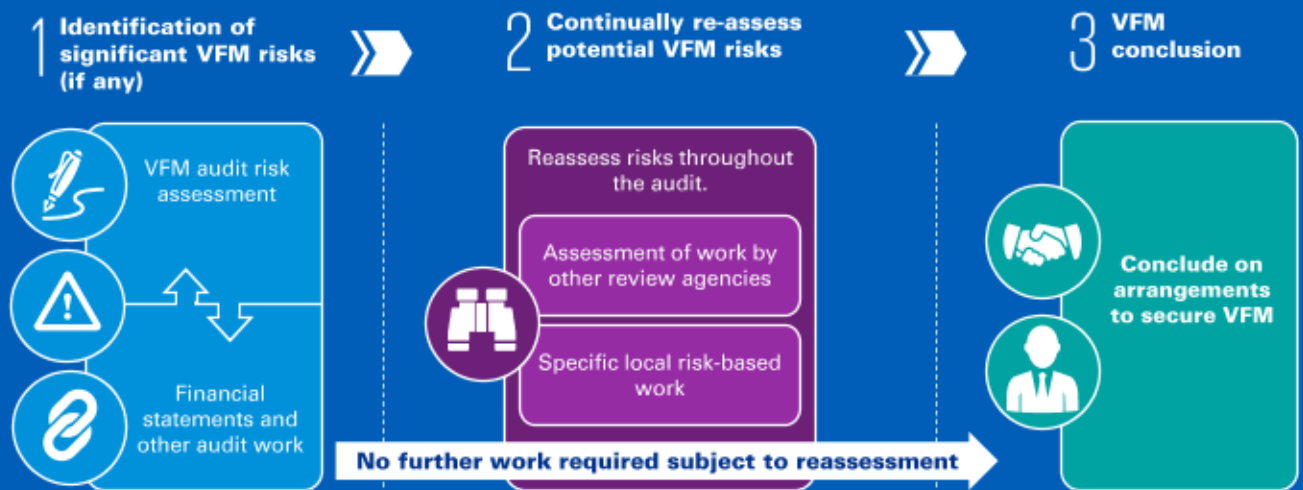
The Local Audit and Accountability Act 2014 requires auditors of local government bodies to be satisfied that the authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to 'take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements.'

## Overall criterion

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

The VFM approach is fundamentally unchanged from that adopted in 2016/17 and the process is shown in the diagram below. The diagram overleaf shows the details of the sub-criteria for our VFM work.



# Value for money arrangements work (cont.)

## Value for Money sub-criterion

### Informed decision making

Proper arrangements:

- Acting in the public interest, through demonstrating and applying the principles and values of sound governance.
- Understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management.
- Reliable and timely financial reporting that supports the delivery of strategic priorities.
- Managing risks effectively and maintaining a sound system of internal control.

### Sustainable resource deployment

Proper arrangements:

- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
- Managing and utilising assets to support the delivery of strategic priorities.
- Planning, organising and developing the workforce effectively to deliver strategic priorities.

### Working with partners and third parties

Proper arrangements:

- Working with third parties effectively to deliver strategic priorities.
- Commissioning services effectively to support the delivery of strategic priorities.
- Procuring supplies and services effectively to support the delivery of strategic priorities.

# Value for money arrangements work (cont.)

## VFM audit stage



### VFM audit risk assessment

#### Audit approach

We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*.

In doing so we consider:

- The Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks;
- Information from the Public Sector Auditor Appointments Limited VFM profile tool;
- Evidence gained from previous audit work, including the response to that work; and
- The work of other inspectorates and review agencies.



### Linkages with financial statements and other audit work

#### Audit approach

There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.

We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.



### Identification of significant risks

#### Audit approach

The Code identifies a matter as significant '*if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*'

If we identify significant VFM risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including:

- Considering the results of work by the Authority, inspectorates and other review agencies; and
- Carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

# Value for money arrangements work (cont.)

## VFM audit stage



### Assessment of work by other review agencies, and Delivery of local risk based work

#### Audit approach

Depending on the nature of the significant VFM risk identified, we may be able to draw on the work of other inspectorates, review agencies and other relevant bodies to provide us with the necessary evidence to reach our conclusion on the risk.

We will also consider the evidence obtained by way of our financial statements audit work and other work already undertaken.

If evidence from other inspectorates, agencies and bodies is not available and our other audit work is not sufficient, we will need to consider what additional work we will be required to undertake to satisfy ourselves that we have reasonable evidence to support the conclusion that we will draw. Such work may include:

- Additional meetings with senior managers across the Authority;
- Review of specific related minutes and internal reports;
- Examination of financial models for reasonableness, using our own experience and benchmarking data from within and without the sector.



### Concluding on VFM arrangements

#### Audit approach

At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.

If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.



### Reporting

#### Audit approach

On the following page, we report the results of our initial risk assessment.

We will report on the results of the VFM audit through our ISA 260 Report. This will summarise any specific matters arising, and the basis for our overall conclusion.

The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.



# Value for money arrangements work (cont.)

## Significant VFM Risks

Whilst we have not yet completed our detailed risk assessment regarding your arrangements to secure value for money, our initial planning has identified the following VFM significant risk requiring specific audit attention and procedures to address the likelihood that proper arrangements are not in place.

<b>Risk:</b>	<b>Delivery of budgets</b> <p>The Authority identified the need to make savings of £878k in 2017/18 (in addition to those already delivered in prior years). The most recent budget monitoring report (presented to the Executive on 1 February 2018) showed a forecast underspend of £103k which amounts to 1.2% of total budgeted expenditure.</p> <p>The 2018/19 budget (which was approved by the Council on 22 February 2018) included in-year savings of £689k and an identified budget gap for 2019/20 of £639k. The Council is identifying and developing proposals to meet this forecast budget gap.</p>
<b>Approach:</b>	<p>As part of our additional risk based work, we will review the controls the Authority has in place to ensure financial resilience, specifically that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. In addition we will consider the way in which the Authority identifies, approves, and monitors both savings plans and income generation projects.</p>
<b>VFM Sub-criterion:</b>	<p>This risk is related to the following Value For Money sub-criterion</p> <ul style="list-style-type: none"><li>— Informed decision making;</li><li>— Sustainable resource deployment; and</li><li>— Working with partners and third parties.</li></ul>

# Other matters

## Whole of government accounts (WGA)

We are required to issue an assurance statement to the National Audit Office confirming the income, expenditure, asset and liabilities of the Authority. Deadlines for completion of this for 2017/18 have not yet been confirmed.

## Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are:

- The right to inspect the accounts;
- The right to ask the auditor questions about the accounts; and
- The right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the PSAA's fee scales.



# Other matters

## Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

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## Independence and Objectivity

Auditors are also required to be independent and objective. Appendix 3 provides more details of our confirmation of independence and objectivity.

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## Audit fee

Our Audit Fee Letter 2017/2018 issued to you in March 2017 first set out our fees for the 2017/2018 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then this will be agreed with the s.151 Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £43,404 which is the same as that charged in 2016/2017.



## Appendix 1:

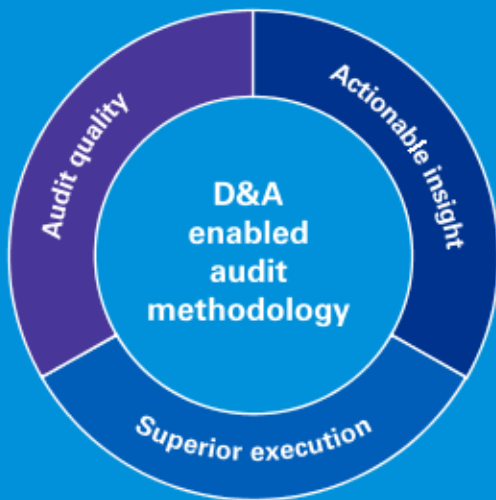
# Key elements of our financial statements audit approach

### Driving more value from the audit through data and analytics

Technology is embedded throughout our audit approach to deliver a high quality audit opinion. Use of Data and Analytics (D&A) to analyse large populations of transactions in order to identify key areas for our audit focus is just one element. Data and Analytics allows us to:

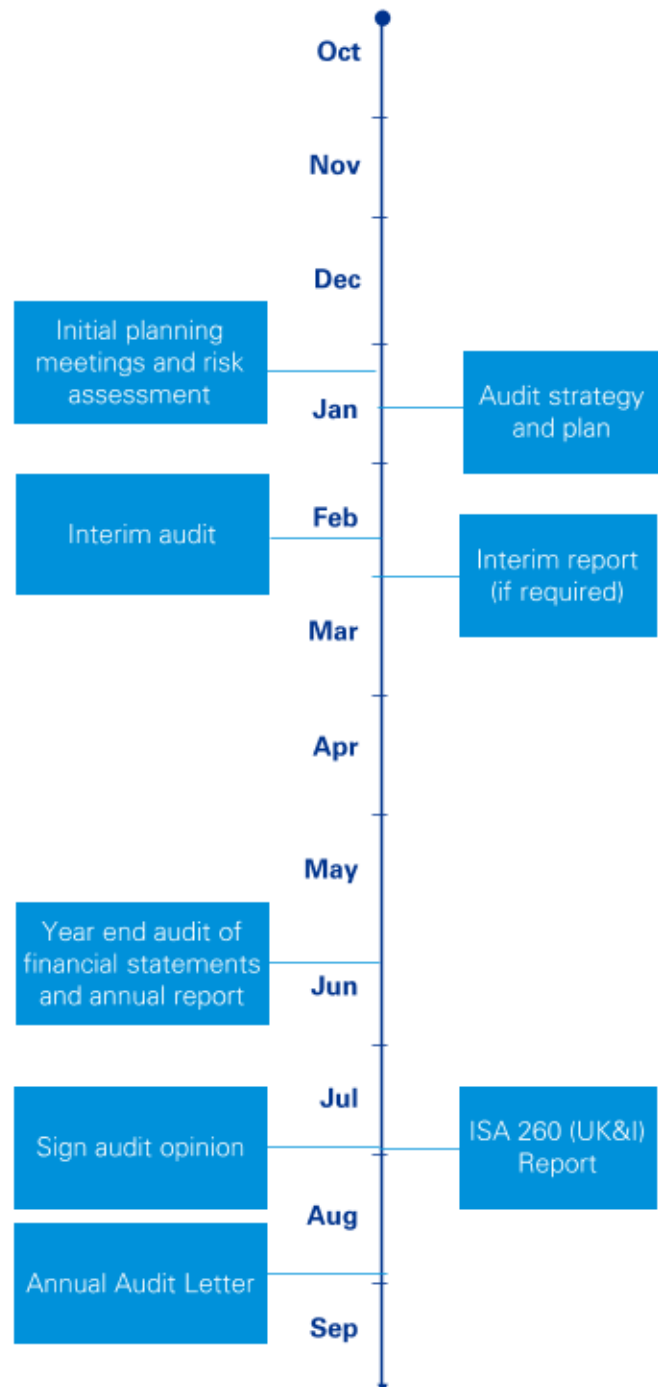
- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

We anticipate using data and analytics in our work around key areas such as journals.



### Communication

Continuous communication involving regular meetings between Audit Committee, Senior Management and audit team.



## Appendix 1:

# Key elements of our financial statements audit approach (cont.)

### Audit workflow

#### Planning

- Determining our materiality level;
- Risk assessment;
- Identification of significant risks;
- Consideration of potential fraud risks;
- Identification of key account balances in the financial statements and related assertions, estimates and disclosures;
- Consideration of managements use or experts; and
- Issuing this audit plan to communicate our audit strategy.

#### Control evaluation

- Understand accounting and reporting activities
- Evaluate design and implementation of selected controls
- Test operating effectiveness of selected controls
- Assess control risk and risk of the accounts being misstated

#### Substantive testing

- Plan substantive procedures
- Perform substantive procedures
- Consider if audit evidence is sufficient and appropriate

#### Completion

- Perform completion procedures
- Perform overall evaluation
- Form an audit opinion
- Audit Committee reporting

## Appendix 2:

# Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were all part of the South Hams District Council audit last year.



**Darren Gilbert**  
Director

T: +44 (0) 292 046 8205  
E: darren.gilbert@kpmg.co.uk

---

'My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion. I will be the main point of contact for the Audit Committee.'



**Adam Bunting**  
Manager

T: +44 (0) 292 046 8003  
E: adam.bunting@kpmg.co.uk

---

'I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with director to ensure we add value. I will liaise with the Finance Community of Practice Lead and other Executive Officers.'



**Kevin Goodwin**  
Assistant Manager

T: +44 (0) 782 529 7061  
E: kevin.goodwin@kpmg.co.uk

---

'I will be responsible for the on-site delivery of our work and will supervise the work of our audit assistants.'

## Appendix 3:

# Independence and objectivity requirements

## ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF SOUTH HAMS DISTRICT COUNCIL

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

### Independence and objectivity considerations relating to the provision of non-audit services

#### *Summary of fees*

We have considered the fees charged by us to the authority and its affiliates for professional services provided by us during the reporting period.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following table.



## Appendix 3:

# Independence and objectivity requirements (cont.)

Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Principal threats to independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2018	Value of Services Committed but not yet delivered
Certification of housing benefit grant claim	None identified		Fixed Fee	£7,328	£7,670

Appropriate approvals have been obtained from PSAA for all non-audit services above the relevant thresholds provided by us during the reporting period. In addition, we monitor our fees to ensure that we comply with the 70% non-audit fee cap set by the NAO.

### Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

### Confirmation of audit independence

We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

**KPMG LLP**



[kpmg.com/uk](http://kpmg.com/uk)



This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website ([www.psa.co.uk](http://www.psa.co.uk)).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to [Andrew.Sayers@kpmg.co.uk](mailto:Andrew.Sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk) by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

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**Private & confidential**

Lisa Buckle  
Finance Community of Practice Lead  
South Hams District Council  
Follaton House  
Plymouth Road  
Totnes  
Devon TQ9 5NE

Our ref SHDC/1718/Fee Letter Add

9 March 2018

Dear Lisa

**Annual audit fee 2017/18 (Addendum - Confirmation of certification fees)**

Further to our letter dated 29 March 2017, I am writing to confirm the fee that we propose for the certification of the housing benefit grant claim for the 2017/18 financial year at South Hams District Council.

**Planned audit fee**

The planned certification fee for 2017/18 is shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

<b>Audit area</b>	<b>Planned fee 2017/18</b>	<b>Actual fee 2016/17</b>
Certification of housing benefit grant claim	7,670	7,328

The 2017/18 scale fee for the certification of housing benefit grant claims has been determined by Public Sector Audit Appointments Limited ("PSAA").

Our audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

**Certification work**

The 2017/18 subsidy claim will be the final year for which PSAA will make arrangements for auditors to undertake housing benefit subsidy certification work. After the end of the transitional arrangements and the current audit contracts, PSAA has no legal power or remit in relation to assurance on claims or returns. The DWP is developing its own assurance arrangements from 2018/19 and has issued further guidance directly to local authorities.

There are no longer any other claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

### **Assumptions**

The fee set by PSAA is based on a number of assumptions. We may need to charge additional fee where:

- Additional testing (above that undertaken in prior years) is required in 2017/18 either because of errors identified in 2016/17, or because of errors identified in the initial testing carried out on the 2017/18 Housing Benefit Subsidy Claim form;
- As a result of our testing, the claim or return is amended or qualified; or
- We do not receive an accurate and complete claim and supporting working papers to our agreed timetable which leads us to carry out additional certification work.

Where any of these factors apply to your certification work, we will discuss the impact on your fee at an early stage.

Yours sincerely



Darren Gilbert  
Director, KPMG LLP

cc: Audit Committee





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## **Private & confidential**

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South Hams District Council  
Follaton House  
Plymouth Road  
Totnes  
Devon TQ9 5NE

Our ref SHDC/17-  
18/InterimLetter

9 March 2018

Dear Lisa

## **South Hams District Council - Audit progress**

We have now completed our planning and interim audit work in line with the timetable set out in our detailed *External Audit Plan 2017-18*, dated January 2018. In that plan we indicated that we were planning to present an *Interim Audit Report* to the Authority's Audit Committee to report on the outcome of the planning and control evaluation phases of our audit. This was to ensure that, in line with good practice, any significant matters are reported to those charged with governance in a timely manner.

As our audit work to date has gone smoothly and we have not identified any significant issues, we no longer consider it necessary to report to the Audit Committee at this stage.

There are two non-significant control deficiencies which we have discussed with you and your team. These related to:

1. The fact that the completion of monthly benefit payment checks by officers was not being documented so as to evidence their completion. This deficiency was also identified in our audit for the year ending 31 March 2016; and
2. The reconciliation of National Non-Domestic Rates cash and refunds to the general ledger were performed outside a reasonable timeframe, and that reconciling items were not being cleared in a timely fashion.

For completeness, we will include commentary on these deficiencies in our *ISA260 Report 2017-18* which we will produce at the conclusion of the audit and present to the Audit Committee in July 2018.

In our *External Audit Plan 2017-18* we set out the significant risks we had identified in relation to the audit of the financial statements for the year ending 31 March 2018. This

included a specific risk around Faster Close as a result of the statutory deadlines for the publication of the financial statements being advanced. We have confirmed that the Authority has developed a closedown timetable that is designed to ensure that draft accounts are prepared in accordance with the deadline of 31 May 2018. We also confirm that we have worked with the Finance Community of Practice to identify those areas of our audit work that could be undertaken as part of our interim visit in order to streamline the year end process. We are satisfied with the steps that the authority has taken thus far in preparing for Faster Close but this still represents a significant challenge in this first year of advanced deadlines. We will report further on this matter in our *ISA260 Report 2017-18*.

In the absence of the need for an Interim Audit Report, please feel free to table this letter at the March meeting of your Audit Committee, to provide them with an update on the progress of our audit. As discussed, we will not attend that meeting but will provide a full briefing on the audit when presenting our *ISA260 Report 2017-18* at the July 2018 meeting.

Yours sincerely



*Darren Gilbert*  
Director, KPMG LLP

Report to: **Audit Committee**

Date: **22 March 2018**

Title: **2018/19 Treasury Management Strategy**

Portfolio Area: **Support Services – Councillor S Wright**

Wards Affected: **All**

Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: Full Council

Authors: Lisa Buckle Role: **Strategic Finance Lead (S151 Officer)**

Contact: Email [Lisa.buckle@swdevon.gov.uk](mailto:Lisa.buckle@swdevon.gov.uk) 01803 861413

---

**Recommendations:**

**That the Audit Committee consider the below and make any comments to Council:-**

- 1. The prudential indicators and limits for 2018/19 to 2020/21 contained within Appendix A of the report.**
- 2. The Minimum Revenue Position (MRP) statement contained within Appendix A which sets out the Council's Policy on MRP.**
- 3. The Treasury Management Strategy 2018/19 and the treasury prudential indicators 2018/19 to 2020/21 contained within Appendix B.**
- 4. The Investment Strategy 2018/19 Appendix C and the detailed criteria included in Appendix D and the counter party list in Appendix E**
- 5. To invest £500,000 into CCLA Local Authority Property Fund (LAPF) and £1 million into the CCLA Diversified Income Fund as per Appendix H.**

## 1. Executive summary

This report seeks approval of the proposed Treasury Management and Investment Strategies together with their associated prudential indicators.

Good financial management and administration underpins the entire strategy. The budget for investment income for 2018/19 has been set at £123,000. This remains the same as the 2017/18 budget.

The following changes have been made to 2018/19 Treasury Management Strategy,

- **Country and sector limits** – the Council has lifted the restriction to only use UK registered banks. This limit has been widened to allow the use of approved counterparties from countries with a minimum sovereign credit rating of AA- (see Appendix C).
- **Counterparty list** – following the lift of the restriction to only use UK registered banks, the Council's approved counterparty list has been included in Appendix E.
- **CCLA Property Investment Funds** – the Council's list of investment vehicles has been updated to allow the future use of CCLA Property Investment Funds. This will be the Council's only Non-Specified Investment and a limit of £2 million has been set for this asset class. There is a recommendation to invest £1.5 million into CCLA as per Appendix H.
- **Capital Strategy** - In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare an additional Capital Strategy report. Details of what this report is intended to provide can be found at point 2.2 of this report. The Council will produce a Capital Strategy in 2018/19.
- **Prudential Indicators** – the estimates of the incremental impact of capital investment decisions on council tax indicator has been removed from the revised 2017 Prudential Code. However, the Council is retaining this as a local indicator to support Member decision making.  
The Council's prudential indicators have been revised to reflect the current schedule of borrowing for the leisure investment (see Appendix A).

- **Asset Class** – the current approach means the Council is just dealing with money market instruments, plus the potential to invest in the property fund (CCLA), so there is not much asset diversification currently.

## 2. Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's risk appetite on investments, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses.

CIPFA defines treasury management as:

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

### 2.1 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

#### **Prudential and treasury indicators and treasury strategy** (this report)

- The first, and most important report covers:

- The capital plans (including prudential indicators);
- A minimum revenue provision (MRP) policy
- The treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- An investment strategy (the parameters on how investments are to be managed).

**A mid year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

**An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.



**Scrutiny** - The above reports are required to be adequately scrutinised before being recommended to the Council. The reports are presented to the Executive prior to being recommended to Council. The Strategy for 18-19 is being considered by the Executive on 15<sup>th</sup> March and the Audit Committee on 22<sup>nd</sup> March. It is within the Terms of Reference of the Audit Committee to scrutinise the Treasury Management Strategy.

## **2.2 Capital Strategy**

In December 2017, CIPFA issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare an additional Capital Strategy report, which is intended to provide the following:-

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- An overview of how the associated risk is managed
- The implications for future financial sustainability arising from longer term capital objectives

The aim of this report is to ensure that all elected members on the full council fully understand the overall strategy, governance procedures and risk appetite entailed by the Capital Strategy.

The Capital Strategy will include capital expenditure, investments and liabilities and treasury management in sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.

## **2.3 Treasury Management Strategy for 2018/19**

The strategy for 2018/19 covers two main areas:

### **Capital issues**

- The capital plans and the prudential indicators;
- The minimum revenue provision (MRP) policy.

### **Treasury management issues**

- The current treasury position;
- Treasury indicators which limit the treasury risk and activities of the Council;
- Prospects for interest rates;
- Policy on borrowing in advance of need;
- The investment strategy;
- Creditworthiness policy; and
- Policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

It is noted that MHCLG released revised Investment and MRP Guidance on 2<sup>nd</sup> February and the Council will adopt any relevant changes in an updated Strategy during the 2018/19 financial year.

## **2.4 Training**

The CIPFA Code requires the responsible officer to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This training has recently been widened to include Non-Treasury Investment. Treasury management training will be organised for Members during the 2018-19 financial year.

The training needs of treasury management officers are periodically reviewed. Officers received training on 31<sup>st</sup> January 2018.

## **2.5 Treasury management advisors**

The Council uses Link Asset Services, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## **3. Outcomes/outputs**

The budget for investment income for 2018/19 has been set at £123,000. This remains the same as the 2017/18 budget. However an income target of an extra £25,000 has been set for 2018/19.

## **4. Options available and consideration of risk**

In order to maximise investment returns the Council needs to be able to either increase our investment portfolio which could potentially mean increasing the risk factor or maintain the current list of Counter Party's but further increase the limit we can invest in each to avoid using those with the lowest rate of return.

## **5. Borrowing for the Leisure Investment**

The Council is currently modelling its Balance Sheet position for 31/3/18, which will inform the decision as to how to structure the borrowing for the Leisure Investment. The main expenditure occurs in 2018/19. The Council is preparing for the early closedown of its year end Accounts for 31<sup>st</sup> March 2018 and this work is progressing. A recommendation will be made as part of the Treasury Management Strategy presented to Council on 29<sup>th</sup> March.

## **6. New changes affecting the Treasury Management activities**

### *International Financial Reporting Standard 9 – Financial Instruments*

From 1 April 2018, new accounting rules will apply to investments, as the Local Authority Accounting Code adopts International Financial Reporting Standard 9 *Financial Instruments*. IFRS 9 was devised to correct the weaknesses in accounting practices that contributed to the global financial crisis. In particular it:

- changes the default accounting treatment for investments from one where gains and losses in value are not recognised as income or expenditure until an investment matures or is disposed of to one where income or expenditure is recognised as gains and losses arise
- changes the model for impairment loss allowances from one based on incurred losses to one based on expected losses

The first of these changes is particularly relevant and would affect a CCLA investment. Where these investments are based on buying shares in funds (such as CCLA), the 1 April 2018 changes in accounting rules will require fair value movements to be debited/credited to revenue as they arise. This is explained further in Appendix H.

There is a risk that if losses arise on this investment, it would result in a charge against revenue in the year it arose and could not be stored up to be offset against potential future gains. Developments in this area will be monitored carefully over the next few months.

### *MiFIDII*

The Markets in Financial Instruments Directive (MiFID) is the framework of European Union (EU) legislation for:

- investment intermediaries that provide services to clients around shares, bonds, units in collective investment schemes and derivatives (collectively known as ‘financial instruments’)
- the organised trading of financial instruments

MiFID applied in the UK from November 2007, and was revised by MiFID II, which took effect in January 2018, to improve the functioning of financial markets in light of the financial crisis and to strengthen investor

protection. MiFID II extended the MiFID requirements in a number of areas including:

- new market structure requirements
- new and extended requirements in relation to transparency
- new rules on research and inducements
- new product governance requirements for manufacturers and distributors of MiFID 'products'
- introduction of a harmonised commodity position limits regime

Part of the new legislation required bodies whom perform complex investments to be deemed/classified as professional investment bodies.

Those bodies who decided not to be classified (opt up) or did not meet the requirements to be classified as a professional investment body would be deemed as retail investors. Retail investors are limited on the types of investments they could make, some Money Market Funds would be unavailable to retail investors.

To ensure that the Council could continue to invest in the current manner, the Council opted up to be classed as a professional body. This 'professional body status' has been accepted in all cases of parties with whom the Council currently invests.

## 7. Proposed Way Forward

It is recommended for the Council to approve the Treasury Management and Investment Strategy.

## 8. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The elements set out in paragraph 2.2 cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code, the Department for Communities and Local Government (DCLG) Investment Guidance and the DCLG MRP Guidance.  It is within the Terms of Reference of the Audit Committee to scrutinise the Treasury Management Strategy.
Financial	Y	Good financial management and administration underpins the entire strategy. The budget for investment income for 2018/19 is £123,000. A stretched income target of a further £25,000 is being set.

		As at 31/3/17 (Balance Sheet position), the Council had £29.175 million in investments. See comments in Appendix H regarding the investment of £1.5 million into CCLA.
Risk	Y	The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect the interest rate performance. The yield risk is regarding the volatility of interest rates/inflation. The Council has adopted the CIPFA Code Of Practice for Treasury Management and produces an Annual Treasury Management Strategy and Investment Strategy in accordance with CIPFA guidelines.  The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and the Executive as part of budget reports
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	none

### **Supporting Information**

#### **Appendices:**

- Appendix A - The Capital Prudential indicators 2018/19 to 2020/21.
- Appendix B - The Treasury Management Strategy 2018/19
- Appendix C – The Investment Strategy
- Appendix D - Treasury Management Practice (TMP 1) – Credit and Counterparty Risk Management
- Appendix E – Counterparty List as at 16<sup>th</sup> February 2018
- Appendix F - Treasury Management Scheme of delegation
- Appendix G - Glossary of Terms Appendix
- Appendix H – CCLA Investment Options
- Appendix I – LAPF Factsheet (CCLA Option)
- Appendix J – DIF Brochure (CCLA Option)

#### **Background Papers:**

- Executive: 9/03/17 - TMS & Annual Investment Strategy 2017-18
- Executive: 07/12/17 - TMS (Mid Year Update)
- Executive: 15/3/18 – Treasury Management Strategy 2018-19



## APPENDIX A

### THE CAPITAL PRUDENTIAL INDICATORS 2018/19 – 2020/21

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist Members' overview and confirm capital expenditure plans.

#### Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital expenditure £m	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
<b>Total</b>	<b>3,023</b>	<b>3,413*</b>	<b>7,492</b>	<b>2,464</b>	<b>410</b>

\*Note – This figure is £2,415,000 as per the Council report on 9 February 2017, plus £0.998 million for Leisure Investment in 17/18. In July 2016 (Minute 33/16) the Council agreed to undertake prudential borrowing of £6.337 million for the new leisure contract, with a further £1.5 million of prudential borrowing for a loan facility being subject to a business case. The remaining leisure investment occurs in 18/19 and 19/20.

The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Capital expenditure (£m)	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
<b>Total</b>	3,023	3,413	7,492	2,464	410
<b>Financed by:</b>					
Capital receipts	665	877	1,111	TBA	TBA
Capital grants	1,166	613	700	TBA	TBA
Reserves (including New Homes Bonus Reserve)	1,192	925	744	TBA	TBA
<b>Net financing need for the year</b> (This is the prudential borrowing required for capital investment in Leisure)	Nil	998	4,937	TBA	TBA

## The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). It is essentially a measure of the Council's underlying need to borrow. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life.

In July 2016 (Minute 33/16) the Council agreed to undertake prudential borrowing of £6.337 million for the new leisure contract. There is predicted to be £1 million of Leisure investment in 2017/18 (this is shown in the movement in CFR). The remaining leisure investment occurs in 18/19 and 19/20.

The Council is asked to approve the CFR projections below:

	2016/17 Actual £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
<b>Capital Financing Requirement (CFR)</b>					
Total CFR	- 98	900	5,797	5,676	5,396
Movement in CFR	Nil	998	4,897	-121	-280
<b>Movement in CFR represented by:</b>					
Net Financing need for the year	Nil	998	4,937	159	Nil
Less MRP and other financing movements	Nil	Nil	-40	-280	-280
Net borrowing requirement	Nil	998	4,897	-121	-280

## Minimum revenue provision (MRP) policy statement

Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2003 states that 'A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent'. The provision is made from revenue in respect of capital expenditure financed by borrowing or credit arrangements.

With all options MRP should normally commence in the financial year following the one in which expenditure was incurred. Regulation 28 does not define 'prudent'. However MRP guidance has been issued, which makes recommendations to authorities on the interpretation of that term. Authorities are legally obliged to 'have regard' to the guidance.

The first recommendation given by the guidance is to prepare, before the start of each financial year, an annual statement of the policy on making MRP in respect of that financial year and submit this to Full Council for approval. The guidance aims to ensure that the provision for the repayment of borrowing which financed the acquisition of an asset should be made over a period bearing some relation to that over which the asset continues to provide a service.

The MRP policy to be adopted is as below:-

<b>Borrowing</b>	<b>MRP Methodology</b>
Leisure Investment	<p><b>Asset Life Method</b> MRP is charged using the Asset Life method – based on the estimated life of the asset. (For the Leisure investment, MRP will be charged over the 25 years – therefore 4% per annum).</p> <p>This option provides for a reduction in the borrowing need over approximately the asset's life.</p>

### **Affordability prudential indicators**

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

### **Ratio of financing costs to net revenue stream**

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream. It is calculated by dividing investment income and interest received by the Council's Net Budget Requirement.

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>Actual</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Ratio of net financing cost to net revenue stream.	(1.8)%	(1.1)%	1.0%	4.1%	4.3%

This is a surplus in 16/17 and 17/18 but it becomes a net financing cost from 2018/19 onwards.

**TREASURY MANAGEMENT STRATEGY (BORROWING)**

**Introduction**

The capital expenditure plans set out in Appendix A provide details of the service activity of the Council. The treasury management function ensures that the Council’s cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

**Treasury Indicators: Limits to borrowing activity**

**The Operational Boundary** – This is the limit beyond which external debt is not normally expected to exceed. This is the maximum level of external debt for cash flow purposes.

Operational Boundary	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
Borrowing	5,000,000	9,000,000	10,000,000	10,000,000
Other long term liabilities	-	-	-	-
Total	5,000,000	9,000,000	10,000,000	10,000,000

**The Authorised Limit for External Debt** – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This provides headroom over and above the operational boundary for unusual cash movements. This is the maximum amount of money that the Council could afford to borrow.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils’ plans, or those of a specific council, although no control has yet been exercised.

**2. The Council is asked to approve the following Authorised Limit:**

Authorised limit	2017/18	2018/19	2019/20	2020/21
	Estimate	Estimate	Estimate	Estimate
Borrowing	10,000,000	14,000,000	15,000,000	15,000,000
Other long term liabilities	-	-	-	-
Total	10,000,000	14,000,000	15,000,000	15,000,000

## Prospects for interest rates

The Council has appointed Capita Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank rate	0.50%	0.75%	0.75%	1.00%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.50%
5yr PWLB rate	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%
10yr PWLB rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%
25yr PWLB rate	2.80%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB rate	2.60%	2.70%	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in May and November 2018, November 2019 and August 2020.

## Investment and borrowing rates

Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.

- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Since then, borrowing rates have eased back again. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

## Borrowing Strategy

In July 2016 (Minute 33/16) the Council agreed to undertake prudential borrowing of £6.337 million for the new leisure contract, with a further £1.5 million of prudential borrowing for a loan facility being subject to a business case.

There is predicted to be £1 million of Leisure investment in 2017/18 (this is shown in the movement in CFR). The remaining leisure investment occurs in 18/19 and 19/20.

## Treasury management limits on activity

There are two related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs/improve performance.

The indicators are:

- Upper limits on fixed interest rate exposure – This covers a maximum limit on fixed interest rates.
- Upper limits on variable interest rate exposure – This covers a maximum limit for variable interest rates.

***The Council is asked to approve the following treasury indicators and limits:***

<b>Interest rate Exposures</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Limits on fixed interest rates based on net debt</b>	100%	100%	100%
<b>Limits on variable interest rates based on net debt</b>	50%	50%	50%
<b>Limits on fixed interest rates: Debt only</b>	12,500,000	12,500,000	12,500,000
<b>Limits on variable interest rates: Debt only</b>	2,500,000	2,500,000	2,500,000
<b>Maturity Structure of fixed interest rate borrowing 2018/19</b>			
	<b>Lower</b>	<b>Upper</b>	
Under 12 months		0%	10%
12 months to 2 years		0%	10%
2 years to 5 years		0%	30%
5 years to 10 years		0%	50%
10 years and above		0%	100%



## **Policy On Borrowing In Advance Of Need**

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Borrowing in advance will be made within the constraints that:

- The Council would not look to borrow more than 18 months in advance of need.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

If the Council had to borrow temporarily for cash flow purposes only in an emergency, then the S151 Officer, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks. A report will subsequently be reported to Council. In all other circumstances, approval to borrow money will always be a decision that can only be made by Full Council and a full report will be brought to Members.

## **Municipal Bond Agency**

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

### **Investment policy**

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes 2017 ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

Investment instruments identified for use in the financial year are listed in appendix D under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

### **Creditworthiness policy**

This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands

- Yellow 5 years \*
- Dark pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.25
- Light pink 5 years for Enhanced money market funds (EMMFs) with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

*\* Please note: the yellow colour category is for UK Government debt, or its equivalent, money market funds and collateralised deposits where the collateral is UK Government debt –see appendix D.*

The Link Asset Services' creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on any external support for banks to help support its decision making process.

**Country and sector limits**

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA-.

**Investment strategy**

**In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

**Investment returns expectations.** Bank Rate is forecast to stay flat at 0.50% until quarter 4 2018 and to rise to 1.25% by quarter 1 2021.

Bank Rate forecasts for financial year ends (March) are:

- 2017/18 0.50%
- 2018/19 0.75%
- 2019/20 1.00%
- 2020/21 1.25%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year are as follows:

- 2017/18 0.40%
- 2018/19 0.60%
- 2019/20 0.90%
- 2020/21 1.25%

The overall balance of risks to these forecasts is currently probably slightly skewed to the upside and are dependent on how strong GDP growth turns out, how quickly inflation pressures rise and how quickly the Brexit negotiations move forward positively.

**Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council’s liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

<b>Maximum principal sums invested &gt; 365 days</b>			
<b>£m</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Principal sums invested > 365 days	£6m	£6m	£6m

### **Icelandic bank investments**

The Council placed a deposit of £1,250,000 on 25th September 2008 with the Heritable Bank which is a subsidiary of Landsbanki, one of the Icelandic Banks that was affected by the world economic crisis. Of this amount £1,227,517 (98%) has already been repaid to the Council by the Administrators. As at today, the Council has £22,483 frozen in the Heritable Bank.

At the time the deposit was placed, the risk rating of Heritable was 'A' (long term deposits) and F1 (short term deposits). Both ratings indicated low risk and were within the deposit policy approved by the Council. Heritable Bank is registered in Scotland with an address in Edinburgh. Heritable Bank Plc is authorised and regulated by the Financial Services Authority and is on the FSA Register. The bank's shares are owned by Icelandic bank, Landsbanki.

Administrators have kept the bank trading and are winding down the business over a period of years. The Administrators have paid fifteen dividends amounting to 98% of the original deposit. The timescale for receiving the final amount outstanding has not been confirmed. The administrators estimate that the return to all unsecured creditors is now between 98-100 pence in the pound.

### **End of year investment report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

**Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management**

**Specified investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year’s duration.
3. A local authority
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.
5. A body that is considered of a high credit quality (such as a bank or building society)

**Non-specified investments:** These are any investments which do not meet the Specified Investment criteria.

CCLA Property Fund investment will be the Council’s only Non-Specified Investment and there is a limit of £2 million for this asset class.

A variety of investment instruments will be used, subject to the credit quality of the institution, and depending on the type of investment made it will fall into one of the above categories. The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

	<b>Minimum credit criteria / colour band</b>	<b>Max % of total investments / £ limit per institution</b>	<b>Max. maturity period</b>
DMADF – UK Government	N/A	100%	6 months
Money Market Funds	AAA	£6 million	Liquid
Ultra Short Dated Bond Funds	AAA	£6 million	T + 2
Local authorities	N/A	£6 million	5 years
Property Investment Funds – CCLA	N/A	£2 million	No fixed maturity date but will generally be up to 7 years



Term deposits with banks and building societies	Yellow	£6 million (£7 million for Lloyds plc – see note)	Up to 5 years
	Purple		Up to 2 years
	Blue		Up to 1 Year
	Orange		Up to 1 Year
	Red		Up to 6 months
	Green		Up to 100 days
	No Colour		Not for use
<b>The Council is not recommending using the following investment vehicles and this is reflected by showing 0% against the limit per institution.</b>			
UK Government gilts	AAA	0%	Yellow (5 years)
UK Government Treasury bills	AAA	0%	6 months
Bonds issued by multilateral development banks	AAA	0%	Yellow ( 5 years)
CDs or corporate bonds with banks and building societies	Yellow	0%	Up to 5 years
	Purple		Up to 2 years
	Blue		Up to 1 year
	Orange		Up to 1 year
	Red		Up to 6 months
	Green		Up to 100 days
	No colour		Not for use

## SPECIFIED INVESTMENTS:

All such investments will be sterling denominated, with maturities up to maximum of 1 year, meeting the minimum 'high' rating criteria where applicable

	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	-	In-house
Term deposits – local authorities	-	In-house
Term deposits – banks and building societies	Green	In-house

Term deposits with nationalised banks and banks and building societies

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Lloyds Bank plc*	Blue	In-house	£7 million	Up to 1 year
Other UK part nationalised banks	Blue	In-house	£6 million	Up to 1 year

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -		
1. Government Liquidity Funds	MMF Rating	In-house
2. Money Market Funds	MMF Rating	In-house
3. Ultra Short Dated Bond Funds	EMMF	In-house

**Accounting treatment of investments.** The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

<b>A Guide to Money Market Funds</b>	
<b>Definition</b>	A pool of cash managed by an independent fund management company. Frequently these are well known banks or investment houses
<b>Investment</b>	Investors purchase units (shares) of the fund which are held on their behalf in a custody account.
<b>Returns</b>	Returns in line with either 7-day or 1-month LIBID are targeted by most funds.
<b>Liquidity</b>	The funds are very liquid. Shares can be purchased and sold on the same day if necessary and without penalty. Deals are subject to a cut-off time which varies from manager to manager but can be as late as 2pm.
<b>Variety</b>	Two types of classes exist – <ol style="list-style-type: none"> <li>1) Stable Net Asset Value (SNAV) – the most common variety. Prices are fixed and interest is credited to investors in the form of a dividend.</li> <li>2) Accumulating Net Asset Value (ANAV) – interest is credited to the shares and the price rises to reflect the return achieved.</li> </ol>
<b>Accounting</b>	Purchases of MMF shares do not score as capital expenditure. Sales do not score as capital receipts.
<b>Legality</b>	Local authorities are permitted to invest in sterling denominated funds with an AAA credit rating and domiciled in the EU.
<b>Regulation</b>	UK-based Funds are regulated by the Financial Services Authority. Those domiciled in other EU zones (the majority) are regulated via the Undertakings for Collective Investment in Transferable Securities (UCITS) Code. The Code lays down strict common standards of investment and management.
<b>Portfolio holdings</b>	Cash is invested in a selection of high quality, high liquidity securities including: time deposits, certificates

<p><b>Credit rating</b></p>	<p>of deposit, short-dated gilts, corporate bonds and notes, commercial paper etc.</p> <p>Local authorities are empowered to place funds in investment schemes with a high credit rating. Money Market Funds fall into this category and are all rated by one or more of the three rating agencies. Credit Quality – measures the financial strength of the fund (not the manager) and the probability of it defaulting.</p>
<p><b>Risk management</b></p>	<p>The funds eligible for local authority investment score highly on credit quality and low volatility. All have an AAA rating which means that the chances of default are considered minimal.</p> <p>1) Rating requirements – in order to maintain an AAA rating fund managers must adhere to requirements specified by the rating agencies. These include:</p> <ul style="list-style-type: none"> <li>• A maximum exposure to any one counterparty (concentration ratio) between 5% &amp; 10%</li> <li>• A maximum weighted average maturity (WAM) for the entire fund – typically 60 days</li> <li>• A minimum level of overnight investments to ensure high liquidity</li> <li>• A lower limit on quality of investment counterparty</li> </ul> <p>2) Ring fencing – monies received from share purchases are invested in financial instruments by the managing organisation. Deposits/security investments are held in custody by a non-related company that specialises in custody services. Counterparty exposure of the fund (and of the investor) is to the underlying securities and not to the management company.</p>
<p><b>Exposure limits</b></p>	<p>In view of the funds’ low concentration ratios; quality of asset holdings; maximum WAM and ring-fencing arrangements, counterparty risk is spread widely. MMFs possess the same status as external fund managers operating cash/gilt funds for local authorities. They should have their own counterparty limit which can be considerably greater than that accorded to individual investment counterparties.</p>

## COUNTERPARTY LIST

## APPENDIX E

Counterparty as at 16th Feb 2018		Fitch Rating				Moody's Ratings				S&P Ratings		Suggested Duration			
		Long Term	Short Term	Viability	Support	Long Term	Short Term	Long Term	Short Term						
<b>United Kingdom</b>															
	Collateralised LA Deposit*											Y - 60 mths			
	Debt Management Office											Y - 60 mths			
	Multilateral Development Banks											Y - 60 mths			
	Supranationals											Y - 60 mths			
	UK Gilts											Y - 60 mths			
<b>Banks</b>	Abbey National Treasury Services	PW	A	F1		1	SB	Aa3		P-1		R - 6 mths			
	Bank of Scotland PLC	SB	A+	F1	a	5	SB	Aa3		P-1	PO	A	A-1	R - 6 mths	
	Barclays Bank PLC	PW	A	F1	a	5	NO	A1		P-1	SB	A	A-1	R - 6 mths	
	Close Brothers Ltd	SB	A	F1	a	5	SB	Aa3		P-1				R - 6 mths	
	Goldman Sachs International Bank	SB	A	F1			SB	A1		P-1	SB	A+	A-1	R - 6 mths	
	HSBC Bank PLC	SB	AA-	F1+	a+	1	NO	Aa3		P-1	SB	AA-	A-1+	O - 12 mths	
	Lloyds Bank Plc	SB	A+	F1	a	5	SB	Aa3		P-1	PO	A	A-1	R - 6 mths	
	Santander UK PLC	PW	A	F1	a	2	SB	Aa3		P-1	SB	A	A-1	R - 6 mths	
	Standard Chartered Bank	SB	A+	F1	a	5	SB	A1		P-1	SB	A	A-1	R - 6 mths	
	Sumitomo Mitsui Banking	SB	A	F1		1	SB	A1		P-1	SB	A	A-1	R - 6 mths	
	UBS Ltd.	SB	AA-	F1+		1	SB	A1		P-1	SB	A+	A-1	O - 12 mths	
<b>Building Societies</b>	Coventry Building Society	SB	A	F1	a	5	SB	A2		P-1				R - 6 mths	
	Leeds Building Society	SB	A-	F1	a-	5	SB	A3		P-2				G - 100 days	
	Nationwide Building Society	NO	A+	F1	a	5	SB	Aa3		P-1	SB	A	A-1	R - 6 mths	
	Skipton Building Society	SB	A-	F1	a-	5	SB	Baa1		P-2				G - 100 days	
	Yorkshire Building Society	SB	A-	F1	a-	5	SB	A3		P-2				G - 100 days	
<b>Nationalised and Part Nationalised Banks</b>	National Westminster Bank	PW	BBB+	F2	bbb+	5	PW	A2		P-1	PO	BBB+	A-2	B - 12 mths	
	Royal Bank of Scotland Group Plc	SB	BBB+	F2	bbb+	5	SB	Baa3		P-3	SB	BBB-	A-3	B - 12 mths	
	The Royal Bank of Scotland Plc	SB	BBB+	F2	bbb+	PW	5	NW	A2	NW	P-1	SB	BBB+	A-2	B - 12 mths

Key	
Watches and Outlooks	Duration
SB Stable Outlook	Yellow - Y 60 Months
NO Negative Outlook	Blue - B 12 Months
NW Negative Watch	Orange - O 12 Months
PO Positive Outlook	Red - R 6 Months
PW Positive Watch	Green - G 100 Days
EO Evolving Outlook	
EW Evolving Watch	

**Treasury Management Scheme of Delegation**

**Full Council:**

- Receiving and reviewing reports on treasury management policies, practices and activities
- Approval of annual strategy
- Approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices
- Budget consideration and approval
- Approval of the division of responsibilities
- Receiving and reviewing regular monitoring reports and acting on the recommendations
- Approving the selection of external service providers and agreeing terms of appointment

**The treasury management role of the Section 151 Officer:**

- Recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance
- Submitting regular treasury management policy reports
- Submitting budgets and budget variations
- Receiving and reviewing management information reports
- Reviewing the performance of the treasury management function
- Ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function
- Ensuring the adequacy of internal audit, and liaising with external audit
- Recommending the appointment of external service providers
- To ensure that members with responsibility for treasury management receive adequate training in treasury management.
- To review the training needs of treasury management officers periodically



**GLOSSARY OF TERMS**

**Basis Point**

1/100<sup>th</sup> of 1%, i.e., 0.01%

**Base Rate**

Minimum lending rate of a bank or financial institution in the UK

**Benchmark**

A measure against which the investment policy or performance of a fund manager can be compared

**Bill of Exchange**

A financial instrument financing trade

**Callable Deposit**

A deposit placed with a bank or building society at a set rate for a set amount of time. However, the borrower has the right to repay the funds on pre-agreed dates, before maturity. This decision is based on how market rates have moved since the deal was agreed. If rates have fallen, the likelihood of the deposit being repaid rises, as cheaper money can be found by the borrower

**Cash Fund Management**

Fund management is the management of an investment portfolio of cash on behalf of a private client or an institution, the receipts and distribution of dividends and interest, and all other administrative work in connection with the portfolio

**Certificate of Deposit (CD)**

Evidence of a deposit with a specified bank or building society repayable on a fixed date. They are negotiable instruments and have a secondary market; therefore the holder of a CD is able to sell it to a third party before the maturity of the CD

**Commercial Paper**

Short-term obligations with maturities ranging from 2 to 270 days issued by banks, corporations and other borrowers. Such instruments are unsecured and usually discounted, although some may be interest bearing

**Corporate Bond**

Strictly speaking, corporate bonds are those issued by companies. However, the term is used to cover all bonds other than those issued by governments in their own currencies and includes issues by companies, supranational organisations and government agencies

**Counterparty**

Another (or the other) party to an agreement or other market contract (e.g., lender/ borrower/writer of a swap, etc)

**CPI**

Consumer Price Index – calculated by collecting and comparing prices of a set basket of goods and services as bought by a typical consumer, at regular intervals over time.

**CDS**

Credit Default Swap – a swap designed to transfer the credit exposure of fixed income products between parties. The buyer of a credit swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the product. By doing this, the risk of default is transferred from the holder of the fixed income security to the seller of the swap

**Derivative**

A contract whose value is based on the performance of an underlying financial asset, index or other investment, e.g., an option is a derivative because its value changes in relation to the performance of an underlying stock.

**DMADF**

Deposit Account offered by the Debt Management office, guaranteed by the UK government

**ECB**

European Central Bank – sets the central interest rates in the EMU area. The ECB determines the targets itself for its interest rate setting policy; this is to keep inflation within a band of 0 to 2%. It does not accept that monetary policy is to be used to manage fluctuations in unemployment and growth caused by the business cycle

**EMU**

European Monetary Union

**Equity**

A share in a company with a limited liability. It generally enables the holder to share in the profitability of the company through dividend payments and capital gain

**Fed.**

Federal Reserve Bank of America – sets the central rates in the USA

**Floating Rate Notes**

Bonds on which the rate of interest is established periodically with reference to short-term interest rates

**Forward Deal**

The act of agreeing today to deposit funds with an institution for an agreed time limit, on an agreed future date, at an agreed date

**Forward Deposits**

Same as forward dealing (above)

**FSA (Financial Services Authority)**

Body responsible for overseeing financial services

**Fiscal Policy**

The Government policy on taxation and welfare payments

**Gilt**

Registered British Government securities giving the investor an absolute commitment from the government to honour the debt that those securities represent

**Gilt Funds**

Pooled fund investing in bonds guaranteed by the UK government

**Money Market Fund (MMF)**

A well rated, highly diversified pooled investment vehicle whose assets mainly comprise of short term instruments. It is very similar to a unit trust, however in a MMF

**Monetary Policy Committee (MPC)**

Government body that sets the bank rate (commonly referred to as being base rate). Their primary target is to keep inflation within plus or minus 1% of a central target of 2.5% in two year's time from the date of the monthly meeting of the Committee. Their secondary target is to support the Government in maintaining high and stable levels of growth and employment

**Open Ended Investment Companies**

A well diversified pooled investment vehicle, with a single purchase price, rather than a bid/offer spread

**Other Bond Funds**

Pooled funds investing in a wide range of bonds

**Reverse Gilt Repo**

This is a transaction as seen from the point of view of the party which is buying the gifts. In this case, one party buys gifts from the other and, at the same time and as part of the same transaction, commits to resell equivalent gifts on a specified future date, or at call, at a specified price

**Retail Price Index (RPI)**

Measurement of the monthly change in the average level of prices at the retail level weighted by the average expenditure pattern of the average person

**Sovereign Issues (Ex UK Gilts)**

Bonds issued or guaranteed by nation states, but excluding UK government bonds

**Supranational Bonds**

Bonds issued by supranational bodies, e.g., European investment bank. These bonds – also known as Multilateral Development Bank bonds – are generally AAA rated and behave similarly to gilts, but pay a higher yield (“spread”) given their relative illiquidity when compared with gilts

**Term Deposit**

A deposit held in a financial institution for a fixed term at a fixed rate

**Treasury Bill**

Treasury bills are short term debt instruments issued by the UK or other governments. They provide a return to the investor by virtue of being issued at a discount to their final redemption value

**WARoR**

Weighted Average Rate of Return is the average annualised rate of return weighted by the principal amount in each rate

**WAM**

Weighted Average Time to Maturity is the average time, in days, till the portfolio matures, weighted by principal amount

**WATT**

Weighted Average Total Time is the average time, in days, that deposits are lent out for, weighted by principal amount

### Briefing Note on CCLA Investment Options

#### Recommendation:

That the Executive RECOMMEND to Council:

1. That the total sum of £1,500,000 from the Council's treasury management funds is invested in CCLA's (CCLA Investment Management Limited's) Local Authorities Property Fund (LAPF) and its Diversified Income Fund (DIF) as detailed in section 4.1 of this Appendix H.

#### 1.0 Executive Summary

- 1.1 This report sets out the rationale for the recommendation of investing £1m into the CCLA DIF and £0.5m into the CCLA LAPF.
- 1.2 Combined, these investments could generate an additional £51k pa in additional investment income, based on current interest rates. In the first year the entry costs to the fund would need to be absorbed so this benefit won't start be realised until the second year e.g. 2019/20 onwards.

#### 2.0 Background

##### **CCLA – Investment Services for Churches, Charities & Local Authorities**

- 2.1. A variety of investment instruments are available to the Local Authority market. In addition to the notice accounts and fixed term deposits available from UK and overseas banks, it is also possible for the Council to invest, for example, in UK Government Gilts, bond funds and property funds. These alternative instruments would either require the Council to tie up its cash for significantly longer periods, thus reducing liquidity, or would carry a risk of loss of capital if markets go down. The Council's policy in the past, therefore, has been not to invest in these slightly more risky and less liquid forms of investment.
- 2.2. However, a variety of factors suggest that now may be an appropriate time to reconsider that approach, e.g.:
  - (a) The perception of increased risk in bank deposits.
  - (b) A growing UK economy that could support a more positive outlook for other forms of investment.
  - (c) A challenging budget outlook that would benefit from the influx of additional investment income.
- 2.3. Officers have therefore considered a variety of different forms of investment and have concluded that investment in to CCLA represents a balanced investment opportunity, splitting investment in to CCLA's two funds – the LAPF, which invests in UK Property and the DIF, which invests in global distributed investments. The latter pays dividends earned from revenue income generated from cash, AAA or BBB short-dated bonds and diverse investments in things such as energy / renewables, aircraft leasing, student accommodation, care homes, and some property.

#### 2.4. **LAPF**

The CCLA (Churches, Charities and Local Authorities) Local Authority Property Fund has been specifically set up for local authorities, and currently has investments of over £933 million, with over 166 local authority investors including 9 county councils, 7 metropolitan councils/London boroughs and over 40 unitary and district councils. Devon County Council, Plymouth City Council, West Devon Borough Council and four Devon town councils are invested in the Fund. The fund own and operate 62 commercial properties across the UK, across various sectors with many having blue-chip tenants. By investing in this fund, South Hams would be able to diversify its risk exposure across the UK and multiple property types and sectors, generating a yield significantly higher than that generated by current treasury management investments, which averaged around 0.6% in the past 12 months.

- 2.5. The income yield over the course of the investment is likely to be around 4-5%, significantly above the rates available for term deposits with banks. The income yield will vary from year to year, but tends to be within a fairly narrow range – the 12 months to Dec 2017 averaged a net income (after management costs) of 4.58%. A £500k investment would have the potential to yield £21k additional investment income in its first full year to help offset the budget pressures facing the Council.
- 2.6. However, there are risks that should not be discounted. The capital value of property can go down as well as up, and therefore the capital redeemed at the end of the investment could be less than the sum initially invested. There are also charges that would need to be met; there is a bid offer spread of 8.3%, so the initial value of the fund will be lower than the initial amount invested. The management charge is 0.65% of income generated per year, but dividends are paid after this has been deducted. These factors combined mean that any investment needs to be a minimum of 5 years, and capital growth would need to be around 2% per year to ensure that the capital redeemed at the end of the investment was at least equal to the initial amount invested. The investment can be redeemed at any time, but it may take 3 to 4 months from the time that the redemption request was made for CCLA to liquidate sufficient holdings in order to return the funds. If the Council only invested £500k, in normal market conditions it is likely that this could be returned to the Council within one month of the request.
- 2.7 It should be noted that the charges above are similar to those that the Council would incur if it were to buy residential property. Stamp duty on an investment property is 5%, whilst agents fees on disposal, legal fees on acquisition and disposal and ongoing management fees for the property would equate (or even exceed) the above costs. The management charge of 0.65% is lower than most typical investment bonds / pension funds, which typically charge 0.75% as an annual fee.



2.8. Appendix A shows a CCLA LAPF Fact Sheet. Further details about CCLA can be found at [www.ccla.co.uk](http://www.ccla.co.uk) Investments into this fund do not count as capital expenditure and dividends are treated as revenue income. The Council could invest and then sell at a later date and this means not only does the Council obtain regular returns (Paid quarterly), it also has the potential to benefit from an increase in “capital” value.

2.9. The potential return of 4.58% is approximately 7.6 times higher than the forecast treasury management return. In 2017/18, the average current return achieved was approx. 0.6%.

#### 2.10 **DIF**

The DIF is a newer fund and is available to a wider pool of investors (whereas the LAPF is only available to Local Authorities). It was launched in late 2016 and so far has £74m in managed funds. There are 10 Local Authority investors, including one county and four boroughs / districts. The minimum investment is £1m and on average the fund has generated a dividend yield, after management costs of 3%.

2.11 The lower return is due to the inherent lower risk appetite of the fund, with strict rules in place to ensure that at any time ,the maximum exposure to equities is 40%. Due to the nature of the investors, Churches, Charities & Local Authorities, all investments are closely scrutinised to ensure no investor would be embarrassed by inappropriate acquisitions or investments. The fund place a significant proportion of its managed funds in short dated bonds and cash instruments, meaning that withdrawals from the scheme are more liquid than the LAPF fund. With this in mind, the bid/offer spread is far lower, at 0.44%.

2.12 Like the LAPF, the scheme accepts revenue investments and on exit, revenue will be returned to the local authority. All dividends are paid as revenue income. This is one of the fundamental reasons why the CCLA investment is being proposed, and why CCLA is popular with Local Authorities as an investment opportunity.

2.13 A minimum £1m investment would generate annual returns of c£30k based on the current 3% yield, after the initial cost of acquisition. Appendix B shows a CCLA DIF Brochure. Further details about CCLA can be found at [www.ccla.co.uk](http://www.ccla.co.uk)

2.14 In 2017/18 the average return on investments was 0.6%.The DIF yield of 3% is 5 times higher.

#### 3.0 **Options available and consideration of risk**

3.1. Members could opt to follow the recommendation or invest a higher or lower sum. Alternatively, Members could opt to pursue an alternative investment strategy. Investment into the LAPF should only be considered if the investment can be maintained for a medium – long term, i.e. 5 years minimum. If the investment needs to be liquidated before that timeframe, it is highly possible that the sum returned would be less than the sum originally invested.

- 3.2. The DIF is not subject to the same bid/offer spread and therefore is more liquid as the LAPF and therefore this investment will be easier to liquidate if the Council choose to divest. Based on this difference and taking a balanced risk approach, it is recommended that Members agree to invest £1m into the DIF (averaging 3% dividend yield pa) and £0.5m into the LAPF (averaging a 4.58% dividend yield). Assuming dividend rates stay roughly stable, investing at these sums would generate an additional £51k pa for the Council.
- 3.3. The Council has for many years adopted a very cautious and prudent approach to treasury management. Lending has only been made to banks and building societies which have strong credit limits and meet the criteria set by the Council, using information published by the three major credit rating agencies. This policy has been maintained in the knowledge that putting security before liquidity or yield does impact on the income being generated from these investments.
- 3.4. Officers have consulted with two other local authorities who have already invested into the LAPF and one who has invested in the DIF. All suggested they were very happy to recommend investment.
- 3.5. The DIF itself is inherently more liquid than the LAPF as it reflects the underlying assets not being solely invested in property, there are established markets for equities and bonds.
- 3.6. In the Members' Budget Survey, 58% supported an investment, with 16% undecided.

#### 4.0 Proposed Way Forward

- 4.1. It is proposed that if the Council approve this report's recommendations, officers invest the £500,000 into CCLA LAPF and £1m into CCLA DIF after 1 April 2018. These investments would be monitored as part of the treasury management function, but it is anticipated that the investment would be left to generate income for a minimum of five years. Balancing the investment across these two funds will help create a more diversified, risk managed fund for the Council in addition to the other funds it already manages.

#### 5.0 Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/ Governance	Y	<p>The Treasury Management Strategy Statement (TMSS) for 2018/19, set out the Council's investment priorities as being:</p> <ul style="list-style-type: none"> <li>• Security of capital;</li> <li>• Liquidity; and</li> <li>• Yield.</li> </ul>

		<p>The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity.</p> <p>In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.</p> <p>The Treasury Management Strategy is risk averse with no investments allowed for a period of more than a year and very high credit rating are required together with a limit of £3m per counterparty. The TMSS has been updated accordingly for the recommended CCLA investments.</p> <p>Agreeing to invest in the CCLA fund requires Council approval.</p>
Financial	Y	<p>An investment in to CCLA will represent an increased risk of loss of capital in comparison to the use of term deposits with banks and building societies.</p> <p>Such an investment has the potential to provide a significant increase in investment income that could contribute towards the predicted budget gaps highlighted in the Medium Term Financial Strategy.</p> <p>If there is a downward valuation in the CCLA investment in 2018/19, the decrease would be an expense to the Income and Expenditure Account of the Council, as the Available for Sale Reserve is not available in 18/19, due to a change in the Accounting Code of Practice. This could be significant, for example a 10% drop in the valuation of the £1.5 million investment at the year end would mean a charge to the Income and Expenditure Account of £150,000 in that year. Therefore this would affect the 'bottom line' of the Council adversely by £150,000. This is due to IFS9 as explained in Section 6 of the covering report.</p>

		The converse is true - in that if the valuation increased, a gain would be realised in the Income and Expenditure Account. So the Council would see extra income in its Revenue Outturn for that year.
Risk	Y	<p>The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect interest rate performance. The yield risk is regarding the volatility of interest rates/inflation.</p> <p>The Council has adopted the CIPFA Code Of Practice for Treasury Management and produces an Annual Treasury Management Strategy and Investment Strategy in accordance with CIPFA guidelines.</p> <p>The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements.</p> <p>See the risk of fluctuations in the valuation of the investment in the 'financial' section.</p> <p>Investment interest income is reported quarterly to SLT and the Executive.</p>
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	N	N/A
Safeguarding	N	N/A
Community Safety, Crime and Disorder	N	N/A
Health, Safety and Wellbeing	N	N/A
Other implications	N	N/A

### **Supporting Information**

#### **Appendices:**

Appendix I – CCLA LAPF Fund Fact Sheet

Appendix J – CCLA DIF Brochure

# The Local Authorities' Property Fund

## Fund Fact Sheet – 31 December 2017

### Investment objective

The Fund aims to provide investors with a high level of income and long-term capital appreciation.

### Investment policy

The Fund is an actively managed, diversified portfolio of UK commercial property. It will principally invest in UK commercial properties, but may invest in other assets.

### Suitability

The Fund is suitable for the long-term funds of any local authority seeking exposure to UK commercial property.

### Independent Governance

The trustee is the Local Authorities' Mutual Investment Trust (LAMIT) a body controlled by members and officers appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and investors in the Fund.

### Who can invest?

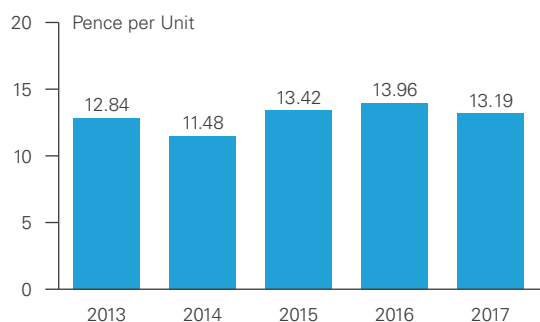
Any local authority in England, Wales, Scotland and Northern Ireland.

### Income

Gross dividend yield	4.58%*
AREF/IPD™ Other Balanced Property Fund	
Index yield	3.58%
Official Bank Rate	0.50%

\* Based upon the net asset value and historic gross annual dividend of 13.7122p

### Rolling 12 month distributions to 31st March:



### Unique accounting advantages

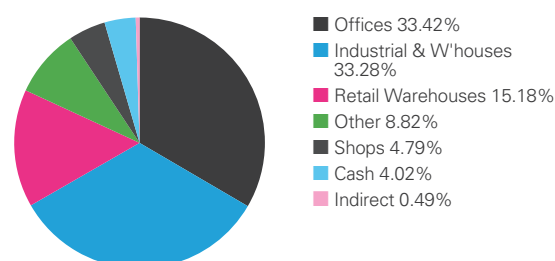
Unlike other property fund investments or even direct property purchases, investment in the Fund does not count as capital expenditure for English or Scottish local authorities. Dividends are treated as revenue but the General Fund is protected from fluctuations in the unit price. The investment is treated as an available for sale financial asset.

### Fund update

The prime focus of our investment strategy is on asset selection and management. We try to identify assets which, through active management, can make a significant contribution to total returns and to the income payment to investors. We also bias the subsector weightings to reflect our view of their relative attractiveness. At present, this means a relatively high weighting to industrial and office assets and a relatively low weighting to retail, with no shopping centre or supermarket holdings.

The Fund has continued to enjoy a strong inflow of new money. Reflecting these cash receipts and the wish to avoid a drag on returns from unwanted cash holdings, the focus of activity has been on acquisitions; five properties have been bought. These include two hotels, one on the outskirts of the City of London, the other in Brighton. The initial yields on both are under 4%, but rents are RPI based and the leases are long, 31 years in both cases. We have also bought three industrial warehouse investments, in Milton Keynes, Northampton and Bolton. Total expenditure has amounted to £127m, with another purchase expected to complete shortly. There was one sale, of a small retail asset, the proceeds were materially above valuation. Rent reviews made a positive contribution to income but these were being offset by the temporary rental loss from refurbishment work, such as in Kingsway. At the end of the quarter the void rate was 7.6%, similar to the level at the end of September and significantly below that of the market.

### Asset allocation



The Fund has credit facilities which, at quarter end, were not utilised.

## Discrete year total return performance (net)

12 months to 31 December	2017	2016	2015	2014	2013
The Local Authorities' Property Fund	+9.68%	+2.12%	+14.09%	+19.50%	+8.92%
Benchmark	+10.58%	+3.66%	+12.97%	+17.34%	+9.25%

## Annualised total return performance (net)

Performance to 31 December 2017	1 year	3 years	5 years
The Local Authorities' Property Fund	+9.68%	+8.52%	+10.71%
Benchmark	+10.58%	+9.00%	+10.67%

Benchmark AREF/IPD™ Other Balanced Property Fund Index. Net performance shown after management fees and other expenses. Past performance is no guarantee of future returns. Source: CCLA

## Top ten property holdings – total 37.28%

London, Kingsway	Elstree, Centennial Park
London, Goodman's Yard	Bristol, Gallagher Retail Park
London, Stockley Park, Longwalk	Brighton, West Street
London, Beckton Retail Park	Cambridge, Cambridge Science Park
Bracknell, The Arena	Bolton, Wingates Industrial Estate

## Key facts

Total fund size	£931m
Current borrowing	£0m
Number of holdings	62
<b>Income units</b>	
Offer (buying) price	319.44p (xd)
Net asset value	299.24p (xd)
Bid (selling) price	294.60p (xd)
Launch date	18 April 1972
Unit types	Income
Minimum initial investment	£25,000
Minimum subsequent investment	£10,000
Dealing day	Month end valuation day*
Sedol & ISIN numbers	0521664, GB0005216642
Dividend payment dates	End January, April, July & October
Annual management charge (taken 100% from income)	0.65%

\* Instructions for the issue or redemption of units must be received by CCLA no later than 5pm on the business day prior to the Valuation Date. If the valuation day is a bank holiday, the dealing day will be the previous working day. Units are only realisable on each monthly dealing date and redemptions may not be readily realisable; a period of notice not exceeding six months may be imposed for the redemption of units.

Tax reclaims should be addressed to: Glynis Free, Specialist Repayment Team 7 South, Ty - Glas, Cardiff, CF14 8HR.  
Telephone 03000 580618, 9.30am - 1pm.

## Risk Warning

This document is a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. CCLA have not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our product is suitable, please read the Fund Factsheet document and the Scheme Particulars. We strongly recommend you seek independent professional advice prior to investing. Investors should consider the following risk factors identified as specific to the Fund before investing: Counterparty/Tenant/Credit Risk (financial institution/tenants may not pay), Market Risk (investment value affected by market conditions), Operational Risk (general operational risks), Expiry/Maturity Profile (timing of maturity of tenancies), Liquidity Risk (investment in non-readily realisable assets), Interest Rate risk (changes to interest rate affecting income), Concentration Risk (need for diversification and suitability of investment), Business Risk (possibility of lower than anticipated profits). Please see the Fund Scheme Particulars for further details.

## Disclosure

Investment in the Fund is for Eligible Local Authorities only. Past performance is not an indicator of future performance. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward-looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated. Investments in the Fund and the Fund itself are not covered by the Financial Services Compensation Scheme (FSCS). However, the Manager may pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund. The Fund is an Alternative Investment Fund and an Unregulated Collective Investment Scheme established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 6 April 1972 and a supplemental Trust Deed dated 13 September 1978. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001. CCLA Fund Managers Limited (registered in England No. 8735639 at the office below) is authorised and regulated by the Financial Conduct Authority and is the manager of the Local Authorities Property Fund.

DIVERSIFIED  
INCOME FUND

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Designed to provide an attractive  
immediate income with rising income  
and higher capital values over time



DIVERSIFIED INCOME FUND

*Designed to provide an attractive immediate income with rising income and higher capital values over time.*

**The need for an alternative to cash deposits**

Interest rates are expected to remain at very low levels for the foreseeable future. In contrast, inflation is forecast to rise, the increase accelerated by the sharp fall in the value of the pound. For cash investors higher inflation permanently reduces the real value of both income and capital.

Even in a less damaging environment cash is a poor choice for longer term investments. Returns are limited to the repayment of the original investment and a modest income which fluctuates in line with short term interest rates and which can never truly grow.

As well as poor returns cash investors also face higher risks following the introduction of the Bank Recovery and Resolution Directive. In times of crisis there is now the risk of 'bail-in', with the threat both to income and capital.

Investors seeking stronger returns therefore have to look beyond cash deposits – but which assets should they choose? History shows us that asset choice is the most important contributor to long-term performance and so making the wrong choice can have unexpected and unwanted effects on values. For those investors seeking improved returns and for whom risk control is essential, the prudent path is to take a portfolio approach, holding not one, but many assets and actively changing the blend to reflect evolving conditions.

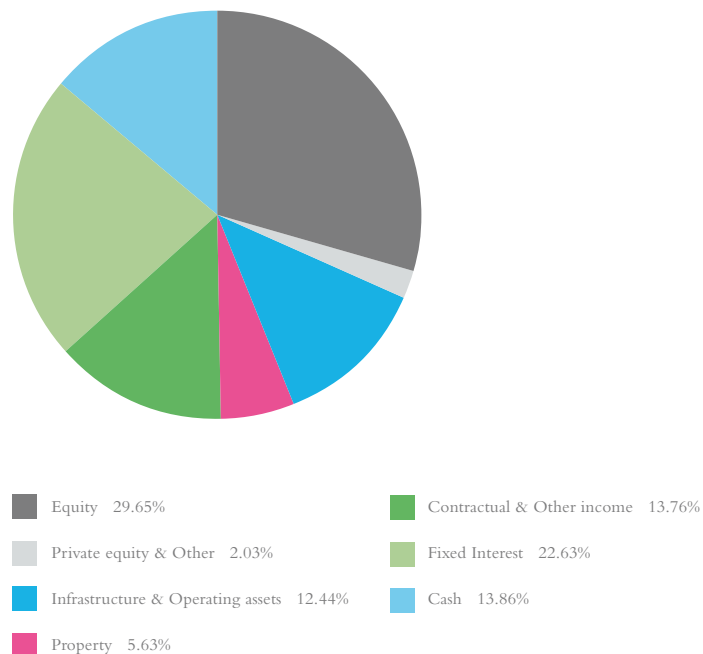
A carefully constructed diversified portfolio spreads risk efficiently by investing in a range of assets whose characteristics complement each other, creating a balance of risk and return no single asset class fund can give. The result is that for any given level of return, volatility – the exposure to the day to day fluctuations in values – is consistently lower. The Diversified Income Fund has been structured with this lower volatility as one of its key aims.

Page 74

**The asset universe – a wide range of opportunity**

The Fund can invest in a wide range of assets, actively changing the allocation to reflect the expected economic environment. The list of available assets is long and varied and includes conventional choices such as property and equities in the UK and overseas but the less common too, such as infrastructure, with three main areas of focus – civil (toll roads, ports and similar), social (such as care and nursing homes, doctors' surgeries and student accommodation), environmental and energy-related (including new forms of energy generation and efficiency, forestry and renewables). These should provide an attractive income and when combined with holdings in equities and bonds, a powerful source of risk diversification.

ASSET ALLOCATION



Source: CCLA as at 31 March 2017

**An attractive income, rising over time**

The only true sources of a growing income are real assets such as equities and property which are directly linked to rising activity in the economy. In contrast, income from fixed interest investments does not change whilst yields on cash can vary but do not rise on a consistent basis. The key to achieving an attractive and dependable income is therefore to combine the right asset mix with top quality individual holdings which are themselves able to support higher income payments in the future.

**Responsible investment, an integral part of the process**

We avoid companies with high governance risks because poor governance can destroy value and cause lasting reputational damage for all concerned. We seek to avoid investing in companies with the poorest governance, whilst in others, where we identify risks, we work to reduce them. We support these policies with an active voting programme. We believe that responsible investment supports returns and reduces the risks which conventional financial analysis cannot see.

**Pooled fund approach, the sensible choice**

Using a pooled fund has a number of important advantages for investors. It brings a consistent approach to fund management across all the assets in the portfolio, ensuring that structure, strategy and tactics are always consistent. Within the portfolio costs are better controlled, whilst charges are kept down. Administration is efficient with a single investment report providing transparency to reporting that multiple asset exposures simply do not have.

## ABOUT THE FUND

**Objective**

The Fund aims to provide income and the potential for capital growth over the long-term from an actively managed diversified portfolio.

**Distribution dates**

Income will be distributed quarterly at the end of February, May, August and November to investors holding units on the last day of the preceding December, March, June and September.

**Minimum subscription**

The minimum initial investment is £1 million. The minimum additional investment is £25,000.

**Fees**

The Annual Management Charge (AMC) is 0.60%, the estimated Ongoing Charges Figure (OCF) is 0.75%. For investors which acquire units before the 31st March 2018 there will be a discount of 0.15% on the AMC which expires on the 31st March 2019.

The OCF includes our fees and is the total cost of managing your investments.

**Spread**

The Fund has no entry or exit charges and is single priced with a dilution levy. The rate or amount of the dilution levy will depend on the mix of assets in the relevant sub-fund and the transaction costs applying to them. In respect of the Fund, the estimated dilution levy charged by the ACS Manager based on future projections will be between 0% and 1.5% of the price of a unit, this charge arising on all deals. It is therefore not possible to predict the dilution levy accurately. In such circumstances if a dilution levy is not made then this may restrict the future growth of the sub-fund(s).

**Dealing**

Daily. Settlement proceeds will usually be paid within two working days after trade date.

**Structure**

The Fund is a sub-fund of the CCLA Authorised Contractual Scheme (ACS) and is a NURS.

The CCLA Authorised Contractual Scheme is an FCA regulated tax transparent fund which has been constituted as a co-ownership scheme. As a consequence of this the Fund will be treated as tax transparent for the purpose of income and/or gains by the relevant tax authorities. Each investor should take appropriate professional advice as to the tax treatment of their investment in the Fund.

A NURS is a Non-UCITS Retail Scheme, in accordance with the FCA Rules, an authorised fund which is neither a UCITS scheme nor a qualified investor scheme.

**Depository and Custodian**

HSBC Bank Plc, 8 Canada Square, London EC14 5HQ

**ACS Manager**

CCLA Fund Managers Limited, Senator House, 85 Queen Victoria Street, London EC4V 4ET.

**Investment Manager**

CCLA Investment Management Limited, Senator House, 85 Queen Victoria Street, London EC4V 4ET.

**Eligible Investors**

As the Fund is an ACS, it is only marketable to Eligible Investors.

These are investors who are UK tax resident and also one of the following:

- (a) A professional ACS investor (being a person who is a professional client for the purpose of the Markets in Financial Instruments Directive);
- (b) A large ACS investor (being a person who in exchange for units makes a payment of not less than £1 million or contributes property with a value of not less than £1 million);
- (c) A person who already properly holds units in the Fund.

In addition to the above, there is currently only one sub-fund which is principally targeted at local authorities, public sector organisations and charities who meet the eligibility criteria. Since only gross paying units are available, investors must be able to receive income payments gross.

Investment in the Fund is for Public Sector Eligible Investors only and may not be suitable for all investors. If you are in any doubt about the suitability of the Funds to your needs you should seek appropriate professional advice.

Past Performance is not an indicator of future performance. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated.

The Fund is authorised in the United Kingdom and regulated by the Financial Conduct Authority as an Alternative Investment Fund and a NURS established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 2 December 2016. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001.

Investments in the Fund and the Fund are covered by the Financial Services Compensation Scheme (FSCS). However, the Manager may also pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

CCLA Investment Management Limited is the manager of the Diversified Income Fund.

# CCLA

[www.ccla.co.uk](http://www.ccla.co.uk)

CCLA, Senator House, 85 Queen Victoria Street, London EC4V 4ET

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# Agenda Item 9

Report to: **Audit Committee**  
Date: **22 March 2018**  
Title: **Budget Book 2018/19**  
Portfolio Area: **Support Services – Councillor S Wright**  
  
Wards Affected: **ALL**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: Pauline Henstock Role: **Finance Community of Practice Lead**

Contact: **Email [pauline.henstock@swdevon.gov.uk](mailto:pauline.henstock@swdevon.gov.uk)**  
**01803 861377**

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**Recommendations:**

**That the Audit Committee notes the content of the Budget Book for 2018-19**

## **1. Executive summary**

Attached is a copy of the Budget Book for 2018/19. This sets out the Council's Revenue Budget for the year into the four areas of Commercial Services, Customer First, Strategy and Commissioning and Support Services.

## **2. Background**

The Budget Book compares the Budget for 2018/19 against the Budget for 2017/18. Cost pressures and savings which were set out in the Medium Term Financial Strategy (MTFS) and agreed as part of the budget process are shown in the 'MTFS' column, with a note underneath. For example, planning fee income was increased by £283,000 for 2018/19. This is partly offset by an increase in the legal fees budget of £20,000, resulting in a net budget reduction of £263,000, and this is shown in Cost Centre

S1020. There is a separate column 'Salaries' for any increase or decrease in the budget which was salary related.

The second column shows any 'virements' within 2017/18. A virement is where a budget is moved from one budget holder (and cost centre) to another, to better reflect where budget responsibility should be held. Virements always net to zero.

A finalised budget book will be made available to Members and will be placed on the website before the commencement of the financial year.

### 3. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council is legally required to set a Balanced Budget each financial year.
Financial	Y	There are no direct financial implications as a result of this report.
Risk	Y	The Council's budget book sets out the income and expenditure budgeted for each service area. A prudent level of reserves is held by the Council to mitigate against financial risk.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	none

### **Appendices**

Appendix A – Budget Book summary 2018-19

## Budget for the Financial Year 2018/19

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
Customer First	3,140,304	-630,681	2,509,623	338,700	-390,100	2,458,223
Strategy and Commissioning	892,504	-11,190	881,314	12,100	0	893,414
Commercial Services	3,072,042	263,930	3,335,972	121,972	500	3,458,444
Support Services	2,923,778	377,941	3,301,719	140,500	-17,322	3,424,897
	<b>10,028,628</b>	<b>0</b>	<b>10,028,628</b>	<b>613,272</b>	<b>-406,922</b>	<b>10,234,978</b>
Contributions to/(from) Reserves	750,446					1,181,216
Reversal of Depreciation	-1,933,000					-1,933,000
Reversal of Pension Costs (IAS19)	-500,000					-500,000
<b>Net Budget Total</b>	<b>8,346,074</b>					<b>8,983,194</b>
<b>funded by:</b>						
Revenue Support Grant	245,393					0
Localised Business Rates	1,764,799					2,262,987
Business Rates Pilot Gain and Growth	0					575,000
Rural Services Delivery Grant (note 2)	327,451					0
Council Tax (increase of £5)	5,809,541					6,072,207
Collection Fund Surplus	143,000					73,000
Transition Grant	55,890					0
<b>Total</b>	<b>8,346,074</b>					<b>8,983,194</b>

Note 1: The increase in the Net Budget from £8.35m (2017/18) to £8.98m (2018/19) is mainly due to the £0.575m business rates pilot gain, of which, £0.475m is recommended to be earmarked for economic regeneration projects.

Note 2: Rural Services Delivery Grant of £408,055 has been included within the business rates baseline as part of the business rates pilot.



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## Customer First Budgets - 2018/19

			17/18	17/18	17/18 After			18/19
			Original	Virements	Virements	Salaries	MTFS	Budget
			Budget					
S1010	Customer Contact Centre	Anita Ley	494,580	-6,580	488,000	22,800	-10,250	500,550
S1013	Localities	Richard Easthope	306,020	-12,420	293,600	2,600	0	296,200
S1014	Case Management	Catherine Bowen	1,100,340	-25,440	1,074,900	151,500	0	1,226,400
S1015	Specialists	Drew Powell	1,330,310	-12,410	1,317,900	155,300	0	1,473,200
S1020	Planning Applications & Advice	Pat Whymer	-437,400	0	-437,400	0	-263,000	-700,400
S1021	Development Control - Enforcement	Pat Whymer	4,700	0	4,700	0	0	4,700
S1030	Economic Development	Darren Arulvasagam	5,580	-80	5,500	0	0	5,500
S1034	Planning Policy	Tom Jones	16,900	0	16,900	0	0	16,900
S1040	Local Land Charges	Tom Jones	-119,850	-16,050	-135,900	0	0	-135,900
S1060	Community Development	Tom Jones	172,400	0	172,400	0	-18,000	154,400
S1070	Environmental Initiatives	Tom Jones	64,600	0	64,600	0	0	64,600
S1104	Other Land and Investment Properties	Chris Brook	-42,240	-460	-42,700	0	0	-42,700
S1165	Follaton House	Cathy Aubertin	180,910	-29,910	151,000	700	-4,000	147,700
S1250	CoP Leads & Group Manager	Drew Powell	152,810	-410	152,400	5,800	0	158,200
S1301	Other Community Parks & Open Spaces	Chris Brook	396,660	-279,760	116,900	0	-2,000	114,900
S1305	Cemeteries & Burials	Chris Brook	47,800	-19,100	28,700	0	0	28,700
S1306	Countryside Recreation	Chris Brook	9,000	0	9,000	0	-6,500	2,500
S1310	Leisure Centres	Chris Brook	464,610	-18,510	446,100	0	0	446,100
S1311	Outdoor Sports and Recreation	Chris Brook	298,170	-159,091	139,079	0	-1,000	138,079
S1365	Flood Defence & Land Drainage	Chris Brook	48,040	-840	47,200	0	0	47,200
S1367	Coast Protection	Chris Brook	82,050	-26,050	56,000	0	0	56,000
S1400	Employment Estates Overheads	Chris Brook	-940,830	-33,570	-974,400	0	-30,000	-1,004,400
S1501	General Health	Ian Luscombe	11,000	0	11,000	0	0	11,000
S1503	Public Health	Ian Luscombe	11,744	0	11,744	0	-45,300	-33,556
S1531	Licensing	Ian Luscombe	-173,300	0	-173,300	0	11,200	-162,100
S1533	Pest Control	Ian Luscombe	13,600	0	13,600	0	0	13,600
S1534	Pollution Control	Ian Luscombe	-7,890	9,990	2,100	0	0	2,100
S1535	Food Safety	Ian Luscombe	15,500	0	15,500	0	-1,250	14,250
S1536	Health and Safety at Work	Ian Luscombe	15,600	0	15,600	0	0	15,600
S1544	Community Safety	Ian Luscombe	6,500	0	6,500	0	0	6,500
S1545	Emergency Planning	Ian Luscombe	8,000	2,700	10,700	0	0	10,700
S1550	Housing Standards	Isabel Blake	5,200	0	5,200	0	0	5,200
S1551	Homelessness	Isabel Blake	159,490	-2,690	156,800	0	0	156,800
S1552	Housing Advice	Isabel Blake	10,200	0	10,200	0	0	10,200
S1553	Housing Enabling	Isabel Blake	1,800	0	1,800	0	0	1,800
S1555	Private Sector Housing Renewal	Isabel Blake	13,700	0	13,700	0	0	13,700
S1558	Housing Strategy	Isabel Blake	11,200	0	11,200	0	0	11,200
S1565	Housing Benefit Payments	Isabel Blake	-47,000	0	-47,000	0	-40,000	-87,000
S1568	Housing Benefit Administration	Isabel Blake	-207,400	0	-207,400	0	20,000	-187,400
S1571	Council Tax Collection	Isabel Blake	-278,200	0	-278,200	0	0	-278,200
S1574	Council Tax Support	Isabel Blake	-64,600	0	-64,600	0	0	-64,600
			<b>3,140,304</b>	<b>-630,681</b>	<b>2,509,623</b>	<b>338,700</b>	<b>-390,100</b>	<b>2,458,223</b>

			17/18	17/18	17/18 After			18/19
			Original	Virements	Virements	Salaries	MTFS	Budget
			Budget					
<b>Customer Contact Centre</b>								
	Staff Costs	*	640,880	-6,580	634,300	36,700	-10,250	660,750
<b>S1010</b>	Transport Costs		2,700	0	2,700	0	0	2,700
<b>Income</b>								
	Recharges		-149,000	0	-149,000	-13,900	0	-162,900
<b>Net Expenditure</b>			<b>494,580</b>	<b>-6,580</b>	<b>488,000</b>	<b>22,800</b>	<b>-10,250</b>	<b>500,550</b>
* Savings from cessation of accepting cash and cheques (£10.2k)								

			17/18	17/18	17/18 After			18/19
			Original	Virements	Virements	Salaries	MTFS	Budget
			Budget					
<b>Localities</b>								
	Staff Costs	*	275,140	-3,240	271,900	2,600	0	274,500
<b>S1013</b>	Transport Costs		30,880	-9,180	21,700	0	0	21,700
<b>Net Expenditure</b>			<b>306,020</b>	<b>-12,420</b>	<b>293,600</b>	<b>2,600</b>	<b>0</b>	<b>296,200</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1014	<b>Case Management</b>						
	Staff Costs	1,852,040	-21,540	1,830,500	193,900	0	2,024,400
	Transport Costs	5,100	0	5,100	0	0	5,100
	<b>Income</b>						
	Recharges	-756,800	-3,900	-760,700	-42,400	0	-803,100
	<b>Net Expenditure</b>	<b>1,100,340</b>	<b>-25,440</b>	<b>1,074,900</b>	<b>151,500</b>	<b>0</b>	<b>1,226,400</b>
* Majority of staff cost increase reflects additional development management staff arising which are funded from the 20% increase in planning fees which is ring-fenced for the planning service.							

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1015	<b>Specialists</b>						
	Staff Costs	1,785,510	-12,410	1,773,100	199,800	0	1,972,900
	Transport Costs	31,600	0	31,600	0	0	31,600
	Supplies and Services	19,100	0	19,100	0	0	19,100
	<b>Income</b>						
	Other Grants and Contributions	-48,000	0	-48,000	0	0	-48,000
	Recharges	-457,900	0	-457,900	-44,500	0	-502,400
<b>Net Expenditure</b>	<b>1,330,310</b>	<b>-12,410</b>	<b>1,317,900</b>	<b>155,300</b>	<b>0</b>	<b>1,473,200</b>	
* Majority of staff cost increase reflects additional development management staff arising which are funded from the 20% increase in planning fees which is ring-fenced for the planning service.							

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1020	<b>Planning Applications &amp; Advice</b>						
	Staff Costs	38,100	0	38,100	0	0	38,100
	Supplies and Services	88,100	0	88,100	0	20,000	108,100
	Recharges E	2,400	0	2,400	0	0	2,400
	<b>Income</b>						
	Fees and Charges	-566,000	0	-566,000	0	-283,000	-849,000
<b>Net Expenditure</b>	<b>-437,400</b>	<b>0</b>	<b>-437,400</b>	<b>0</b>	<b>-263,000</b>	<b>-700,400</b>	
* Additional planning legal fees (£20k)							
* Additional planning fee income (£115k), extra planning income (£15k), additional income from 20% increase in planning fees (£153k)							

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1021	<b>Development Control - Enforcement</b>						
	Staff Costs	4,700	0	4,700	0	0	4,700
	<b>Net Expenditure</b>	<b>4,700</b>	<b>0</b>	<b>4,700</b>	<b>0</b>	<b>0</b>	<b>4,700</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1030	<b>Economic Development</b>						
	Staff Costs	6,200	0	6,200	0	0	6,200
	Premises Costs	80	-80	0	0	0	0
	Supplies and Services	2,500	0	2,500	0	0	2,500
	Capital Charges	3,900	0	3,900	0	0	3,900
	<b>Income</b>						
	Rent	-6,900	0	-6,900	0	0	-6,900
Other Grants and Contributions	-200	0	-200	0	0	-200	
<b>Net Expenditure</b>	<b>5,580</b>	<b>-80</b>	<b>5,500</b>	<b>0</b>	<b>0</b>	<b>5,500</b>	

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1034	<b>Planning Policy</b>						
	Staff Costs	16,900	0	16,900	0	0	16,900
	<b>Net Expenditure</b>	<b>16,900</b>	<b>0</b>	<b>16,900</b>	<b>0</b>	<b>0</b>	<b>16,900</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1040	<b>Local Land Charges</b>						
	Staff Costs	22,750	-16,050	6,700	0	0	6,700
	Supplies and Services	2,400	0	2,400	0	0	2,400
	Third Party Payments	25,000	0	25,000	0	0	25,000
	<b>Income</b>						
	Fees and Charges	-170,000	0	-170,000	0	0	-170,000
	<b>Net Expenditure</b>	<b>-119,850</b>	<b>-16,050</b>	<b>-135,900</b>	<b>0</b>	<b>0</b>	<b>-135,900</b>

*The salary costs of staff delivering these services are sat within the case management and specialist budgets and an appropriate allocation of these costs will be apportioned to the Land Charges budget for staff costs.*

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1060	<b>Community Development</b>						
	Staff Costs	2,400	0	2,400	0	0	2,400
	Supplies and Services	170,000	0	170,000	0	-18,000	152,000
	<b>Net Expenditure</b>	<b>172,400</b>	<b>0</b>	<b>172,400</b>	<b>0</b>	<b>-18,000</b>	<b>154,400</b>

\* Reduction in CVS contribution (-£20k) and additional contribution to Ivybridge Ring and Ride (£2k)

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1070	<b>Environmental Initiatives</b>						
	Staff Costs	8,600	0	8,600	0	0	8,600
	Supplies and Services	56,000	0	56,000	0	0	56,000
	<b>Net Expenditure</b>	<b>64,600</b>	<b>0</b>	<b>64,600</b>	<b>0</b>	<b>0</b>	<b>64,600</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1165	<b>Follaton House</b>						
	Staff Costs	67,190	-1,090	66,100	700	0	66,800
	Premises Costs	339,020	-22,520	316,500	0	0	316,500
	Supplies and Services	56,500	-6,300	50,200	0	0	50,200
	Capital Charges	39,400	0	39,400	0	0	39,400
	<b>Income</b>						
	Fees and Charges	-13,000	0	-13,000	0	0	-13,000
	Rent	-305,200	0	-305,200	0	-4,000	-309,200
	Other Grants and Contributions	-3,000	0	-3,000	0	0	-3,000
	<b>Net Expenditure</b>	<b>180,910</b>	<b>-29,910</b>	<b>151,000</b>	<b>700</b>	<b>-4,000</b>	<b>147,700</b>

\* Additional income from budget scouring (£4k)

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1250	<b>CoP Leads &amp; Group Manager</b>						
	Staff Costs	179,210	-410	178,800	7,000	0	185,800
	Transport Costs	1,300	0	1,300	0	0	1,300
	<b>Income</b>						
	Recharges	-27,700	0	-27,700	-1,200	0	-28,900
	<b>Net Expenditure</b>	<b>152,810</b>	<b>-410</b>	<b>152,400</b>	<b>5,800</b>	<b>0</b>	<b>158,200</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1301	<b>Other Community Parks &amp; Open Spaces</b>						
	Staff Costs	12,900	0	12,900	0	0	12,900
	Premises Costs	369,660	-279,760	89,900	0	0	89,900
	Transport Costs	0	0	0	0	0	0
	Supplies and Services	13,400	0	13,400	0	0	13,400
	Capital Charges	127,500	0	127,500	0	0	127,500
	<b>Income</b>						
	Fees and Charges	-15,800	-1,000	-16,800	0	0	-16,800
	Rent	-96,100	-4,000	-100,100	0	0	-100,100
	Recharges	-3,400	-500	-3,900	0	0	-3,900
	Other Grants and Contributions	-11,500	5,500	-6,000	0	-2,000	-8,000
	<b>Net Expenditure</b>	<b>396,660</b>	<b>-279,760</b>	<b>116,900</b>	<b>0</b>	<b>-2,000</b>	<b>114,900</b>

\* Additional income from increase in charges for playground inspections (£2k)

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1305	<b>Cemeteries &amp; Burials</b>						
	Staff Costs	200	0	200	0	0	200
	Premises Costs	30,800	-19,100	11,700	0	0	11,700
	Supplies and Services	16,800	0	16,800	0	0	16,800
	<b>Net Expenditure</b>	<b>47,800</b>	<b>-19,100</b>	<b>28,700</b>	<b>0</b>	<b>0</b>	<b>28,700</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1310	<b>Leisure Centres</b>						
	Staff Costs	2,400	0	2,400	0	0	2,400
	Premises Costs	90,810	-18,510	72,300	0	0	72,300
	Supplies and Services	600	0	600	0	0	600
	Third Party Payments	0	0	0	0	0	0
	Capital Charges	405,800	0	405,800	0	0	405,800
	<b>Income</b>	<b>0</b>					
	Other Grants and Contributions	-35,000	0	-35,000	0	0	-35,000
<b>Net Expenditure</b>	<b>464,610</b>	<b>-18,510</b>	<b>446,100</b>	<b>0</b>	<b>0</b>	<b>446,100</b>	

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1311	<b>Outdoor Sports and Recreation</b>						
	Staff Costs	3,100	0	3,100	0	0	3,100
	Premises Costs	231,470	-171,970	59,500	0	0	59,500
	Transport Costs	0	0	0	0	0	0
	Supplies and Services	12,400	-500	11,900	0	0	11,900
	Third Party Payments	0	0	0	0	0	0
	Capital Charges	115,800	0	115,800	0	0	115,800
	<b>Income</b>						
	Rent	-18,200	0	-18,200	0	0	-18,200
	Fees and Charges	-38,200	14,579	-23,621	0	-1,000	-24,621
	Other Grants and Contributions	-8,200	-1,200	-9,400	0	0	-9,400
<b>Net Expenditure</b>	<b>298,170</b>	<b>-159,091</b>	<b>139,079</b>	<b>0</b>	<b>-1,000</b>	<b>138,079</b>	

\* Additional income arising from increase in recreation fees and charges (£1k)

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1365	<b>Flood Defence &amp; Land Drainage</b>						
	Staff Costs	800	0	800	0	0	800
	Premises Costs	38,040	-840	37,200	0	0	37,200
	Capital Charges	9,200	0	9,200	0	0	9,200
<b>Net Expenditure</b>	<b>48,040</b>	<b>-840</b>	<b>47,200</b>	<b>0</b>	<b>0</b>	<b>47,200</b>	

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1367	<b>Coast Protection</b>						
	Staff Costs	2,100	0	2,100	0	0	2,100
	Premises Costs	68,050	-26,050	42,000	0	0	42,000
	Supplies and Services	200	0	200	0	0	200
	Capital Charges	70,500	0	70,500	0	0	70,500
	<b>Income</b>						
	Rent	-32,000	0	-32,000	0	0	-32,000
	Interest	-14,500	0	-14,500	0	0	-14,500
Recharges	-12,300	0	-12,300	0	0	-12,300	
<b>Net Expenditure</b>	<b>82,050</b>	<b>-26,050</b>	<b>56,000</b>	<b>0</b>	<b>0</b>	<b>56,000</b>	

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>Employment Estates Overheads</b>							
	Staff Costs	12,800	1,000	13,800	0	0	13,800
	Premises Costs *	198,070	-33,870	164,200	0	0	164,200
	Supplies and Services	10,600	5,000	15,600	0	0	15,600
<b>S1400</b>	Capital Charges	180,000	0	180,000	0	0	180,000
	<b>Income</b>						
	Rent	-1,288,400	1,200	-1,287,200	0	-30,000	-1,317,200
	Fees and Charges	-9,800	-24,200	-34,000	0	0	-34,000
	Recharges	-25,100	17,100	-8,000	0	0	-8,000
	Other Grants and Contributions	-19,000	200	-18,800	0	0	-18,800
	<b>Net Expenditure</b>	<b>-940,830</b>	<b>-33,570</b>	<b>-974,400</b>	<b>0</b>	<b>-30,000</b>	<b>-1,004,400</b>
* Additional income from commercial developments (£30k)							

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>S1501</b>	<b>General Health</b>						
	Supplies and Services	11,000	0	11,000	0	0	11,000
	<b>Net Expenditure</b>	<b>11,000</b>	<b>0</b>	<b>11,000</b>	<b>0</b>	<b>0</b>	<b>11,000</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>Public Health</b>							
	Staff Costs	3,600	0	3,600	0	0	3,600
	Premises Costs	14,700	0	14,700	0	0	14,700
<b>S1503</b>	Transport Costs	3,844	0	3,844	0	0	3,844
	<b>Income</b>						
	Fees and Charges	-10,100	-300	-10,400	0	-45,300	-55,700
	Recharges	-300	300	0	0	0	0
	<b>Net Expenditure</b>	<b>11,744</b>	<b>0</b>	<b>11,744</b>	<b>0</b>	<b>-45,300</b>	<b>-33,556</b>
* Additional Environmental Health fees (£15.3k) and shellfish licensing fees (£30k)							

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>Licensing</b>							
	Staff Costs	9,600	0	9,600	0	0	9,600
	Supplies and Services	7,000	0	7,000	0	0	7,000
<b>S1531</b>	<b>Income</b>						
	Recharges	-5,000	0	-5,000	0	0	-5,000
	Fees and Charges *	-184,900	0	-184,900	0	11,200	-173,700
	<b>Net Expenditure</b>	<b>-173,300</b>	<b>0</b>	<b>-173,300</b>	<b>0</b>	<b>11,200</b>	<b>-162,100</b>
<i>The salary costs of staff delivering these services are sat within the case management and specialist budgets and an appropriate allocation of these costs will be apportioned to the Licensing budget for staff costs.</i>							
* Reduction in Taxi Licensing Fees (£11.2k)							

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>S1533</b>	<b>Pest Control</b>						
	Staff Costs	100	0	100	0	0	100
	Supplies and Services	13,500	0	13,500	0	0	13,500
	<b>Net Expenditure</b>	<b>13,600</b>	<b>0</b>	<b>13,600</b>	<b>0</b>	<b>0</b>	<b>13,600</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>Pollution Control</b>							
	Staff Costs	6,200	0	6,200	0	0	6,200
	Premises Costs	510	-10	500	0	0	500
<b>S1534</b>	Supplies and Services *	23,000	0	23,000	0	0	23,000
	Capital Charges	5,400	0	5,400	0	0	5,400
	<b>Income</b>						
	Fees and Charges *	-43,000	10,000	-33,000	0	0	-33,000
	<b>Net Expenditure</b>	<b>-7,890</b>	<b>9,990</b>	<b>2,100</b>	<b>0</b>	<b>0</b>	<b>2,100</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>Food Safety</b>							
	Staff Costs	8,500	0	8,500	0	0	8,500

<b>S1535</b>	Supplies and Services	7,000	0	7,000	0	0	7,000
	Third Party Payments	0	0	0	0	0	0
	<b>Income</b>						
	Fees and Charges	0	0	0	0	-1,250	-1,250
	<b>Net Expenditure</b>	<b>15,500</b>	<b>0</b>	<b>15,500</b>	<b>0</b>	<b>-1,250</b>	<b>14,250</b>
	* Charging for food hygiene rating scheme revisits						

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>S1536 Health and Safety at Work</b>						
Staff Costs	15,600	0	15,600	0	0	15,600
<b>Net Expenditure</b>	<b>15,600</b>	<b>0</b>	<b>15,600</b>	<b>0</b>	<b>0</b>	<b>15,600</b>

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>S1544 Community Safety</b>						
Staff Costs	900	0	900	0	0	900
Supplies and Services	5,600	0	5,600	0	0	5,600
<b>Net Expenditure</b>	<b>6,500</b>	<b>0</b>	<b>6,500</b>	<b>0</b>	<b>0</b>	<b>6,500</b>

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>S1545 Emergency Planning</b>						
Staff Costs	1,100	0	1,100	0	0	1,100
Premises Costs	4,800	0	4,800	0	0	4,800
Supplies and Services	2,100	2,700	4,800	0	0	4,800
<b>Net Expenditure</b>	<b>8,000</b>	<b>2,700</b>	<b>10,700</b>	<b>0</b>	<b>0</b>	<b>10,700</b>

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>S1550 Housing Standards</b>						
Staff Costs	4,200	0	4,200	0	0	4,200
Supplies and Services	1,000	0	1,000	0	0	1,000
<b>Net Expenditure</b>	<b>5,200</b>	<b>0</b>	<b>5,200</b>	<b>0</b>	<b>0</b>	<b>5,200</b>

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>S1551 Homelessness</b>						
Staff Costs	7,500	0	7,500	0	0	7,500
Premises Costs	175,040	-2,690	172,350	0	0	172,350
Supplies and Services	148,550	0	148,550	0	0	148,550
Capital Charges	37,700	0	37,700	0	0	37,700
<b>Income</b>						
Rent	-169,300	0	-169,300	0	0	-169,300
Recharges	-17,000	0	-17,000	0	0	-17,000
Other Grants and Contributions	-23,000	0	-23,000	0	0	-23,000
<b>Net Expenditure</b>	<b>159,490</b>	<b>-2,690</b>	<b>156,800</b>	<b>0</b>	<b>0</b>	<b>156,800</b>

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>S1552 Housing Advice</b>						
Staff Costs	7,200	0	7,200	0	0	7,200
Supplies and Services	3,000	0	3,000	0	0	3,000
<b>Net Expenditure</b>	<b>10,200</b>	<b>0</b>	<b>10,200</b>	<b>0</b>	<b>0</b>	<b>10,200</b>

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>S1553 Housing Enabling</b>						
Staff Costs	1,800	0	1,800	0	0	1,800
<b>Net Expenditure</b>	<b>1,800</b>	<b>0</b>	<b>1,800</b>	<b>0</b>	<b>0</b>	<b>1,800</b>

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>S1555 Private Sector Housing Renewal</b>						
Staff Costs	3,700	0	3,700	0	0	3,700
Supplies and Services	10,000	0	10,000	0	0	10,000
<b>Net Expenditure</b>	<b>13,700</b>	<b>0</b>	<b>13,700</b>	<b>0</b>	<b>0</b>	<b>13,700</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1558	<b>Housing Strategy</b>						
	Staff Costs	9,700	0	9,700	0	0	9,700
	Supplies and Services	1,500	0	1,500	0	0	1,500
	<b>Net Expenditure</b>	<b>11,200</b>	<b>0</b>	<b>11,200</b>	<b>0</b>	<b>0</b>	<b>11,200</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1565	<b>Housing Benefit Payments</b>						
	Transfer Payments	20,070,000	0	20,070,000	0	-4,252,000	15,818,000
	<b>Income</b>						
	Recharges	-205,000	0	-205,000	0	-40,000	-245,000
	Government Grants	-19,912,000	0	-19,912,000	0	4,252,000	-15,660,000
	<b>Net Expenditure</b>	<b>-47,000</b>	<b>0</b>	<b>-47,000</b>	<b>0</b>	<b>-40,000</b>	<b>-87,000</b>
	* Increase income from housing benefit overpayment recoveries (£40k)						

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1568	<b>Housing Benefit Administration</b>						
	Staff Costs	18,400	0	18,400	0	0	18,400
	<b>Income</b>						
	Government Grants	-225,800	0	-225,800	0	20,000	-205,800
	<b>Net Expenditure</b>	<b>-207,400</b>	<b>0</b>	<b>-207,400</b>	<b>0</b>	<b>20,000</b>	<b>-187,400</b>
	* Reduction in Housing Benefit Subsidy Administration Grant (£20k)						

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1571	<b>Council Tax Collection</b>						
	Staff Costs	35,600	0	35,600	0	0	35,600
	Supplies and Services	14,200	0	14,200	0	0	14,200
	<b>Income</b>						
	Recharges	-121,800	25,000	-96,800	0	0	-96,800
	Government Grants	-206,200	-25,000	-231,200	0	0	-231,200
	<b>Net Expenditure</b>	<b>-278,200</b>	<b>0</b>	<b>-278,200</b>	<b>0</b>	<b>0</b>	<b>-278,200</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1574	<b>Council Tax Support</b>						
	Staff Costs	23,900	0	23,900	0	0	23,900
	<b>Income</b>						
	Government Grants	-88,500	0	-88,500	0	0	-88,500
	<b>Net Expenditure</b>	<b>-64,600</b>	<b>0</b>	<b>-64,600</b>	<b>0</b>	<b>0</b>	<b>-64,600</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S1104	<b>Other Land and Investment Properties</b>						
	Staff Costs	1,500	0	1,500	0	0	1,500
	Premises Costs	14,560	-460	14,100	0	0	14,100
	<b>Income</b>						
	Rent	-58,300	0	-58,300	0	0	-58,300
	<b>Net Expenditure</b>	<b>-42,240</b>	<b>-460</b>	<b>-42,700</b>	<b>0</b>	<b>0</b>	<b>-42,700</b>



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Strategy and Commissioning Budgets - 2018/19

			17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S3001	Electoral Registration	Liz Tucker	138,040	-1,940	136,100	3,500	0	139,600
S3010	District Elections	Liz Tucker	1,100	0	1,100	0	0	1,100
S3041	Communications & Media CoP	Lesley Crocker	72,540	-2,810	69,730	-4,400	0	65,330
S3050	Democratic Representation & Management	Darryl White	336,454	0	336,454	0	0	336,454
S3051	HA-Member Support & Democratic Services	Darryl White	89,320	-5,220	84,100	2,800	0	86,900
S3075	Waste & Place Strategy	Jane Savage	53,610	-410	53,200	7,200	0	60,400
S4501	Performance, Intelligence & Strategic Finance	Darren Arulvasagam	127,310	-810	126,500	3,000	0	129,500
S4510	Building Regulations	Darren Arulvasagam	-20,670	0	-20,670	0	0	-20,670
S4511	Other Building Control Work	Darren Arulvasagam	94,800	0	94,800	0	0	94,800
			<b>892,504</b>	<b>-11,190</b>	<b>881,314</b>	<b>12,100</b>	<b>0</b>	<b>893,414</b>

			17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
	<b>Electoral Registration</b>							
	Staff Costs		107,640	-940	106,700	3,500	0	110,200
	Premises Costs		1,000	-1,000	0	0	0	0
S3001	Transport Costs		1,100	0	1,100	0	0	1,100
	Supplies and Services		30,800	0	30,800	0	0	30,800
	<b>Income</b>							
	Sales		-2,500	0	-2,500	0	0	-2,500
	<b>Net Expenditure</b>		<b>138,040</b>	<b>-1,940</b>	<b>136,100</b>	<b>3,500</b>	<b>0</b>	<b>139,600</b>

			17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S3010	<b>District Elections</b>							
	Staff Costs		1,100	0	1,100	0	0	1,100
	<b>Net Expenditure</b>		<b>1,100</b>	<b>0</b>	<b>1,100</b>	<b>0</b>	<b>0</b>	<b>1,100</b>

			17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
	<b>Communications &amp; Media CoP</b>							
	Staff Costs		88,710	-810	87,900	1,500	0	89,400
S3041	Transport Costs		300	0	300	0	0	300
	Supplies and Services		7,230	0	7,230	0	0	7,230
	<b>Income</b>							
	Recharges		-23,700	-2,000	-25,700	-5,900	0	-31,600
	<b>Net Expenditure</b>		<b>72,540</b>	<b>-2,810</b>	<b>69,730</b>	<b>-4,400</b>	<b>0</b>	<b>65,330</b>

			17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
	<b>Democratic Representation &amp; Management</b>							
S3050	Staff Costs		25,500	0	25,500	0	0	25,500
	Supplies and Services		310,954	0	310,954	0	0	310,954
	<b>Net Expenditure</b>		<b>336,454</b>	<b>0</b>	<b>336,454</b>	<b>0</b>	<b>0</b>	<b>336,454</b>

			17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
	<b>HA-Member Support &amp; Democratic Services</b>							
S3051	Staff Costs		123,920	-1,220	122,700	3,600	0	126,300
	Transport Costs		1,300	0	1,300	0	0	1,300
	<b>Income</b>							
	Recharges		-35,900	-4,000	-39,900	-800	0	-40,700
	<b>Net Expenditure</b>		<b>89,320</b>	<b>-5,220</b>	<b>84,100</b>	<b>2,800</b>	<b>0</b>	<b>86,900</b>
	* Annual increments and pay award							

			17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
	<b>Waste &amp; Place Strategy</b>							
S3075	Staff Costs		52,910	-410	52,500	7,200	0	59,700
	Transport Costs		700	-700	0	0	0	0
	Supplies and Services		0	0	0	0	0	0
	Capital Charges		0	0	0	0	0	0
	<b>Income</b>							
	Recharges		0	700	700	0	0	700
	<b>Net Expenditure</b>		<b>53,610</b>	<b>-410</b>	<b>53,200</b>	<b>7,200</b>	<b>0</b>	<b>60,400</b>

			17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
	<b>Performance, Intelligence &amp; Strategic Finance</b>							
S4501	Staff Costs		143,110	-810	142,300	3,900	0	146,200
	Transport Costs		300	0	300	0	0	300
	<b>Income</b>							
	Recharges		-16,100	0	-16,100	-900	0	-17,000
	<b>Net Expenditure</b>		<b>127,310</b>	<b>-810</b>	<b>126,500</b>	<b>3,000</b>	<b>0</b>	<b>129,500</b>

		17/18	17/18	17/18 After			18/19
S4510	Building Regulations	Original	Virements	Virements	Salaries	MTFS	Budget
	Third Party Payment / Receipt	-20,670	0	-20,670	0	0	-20,670
	<b>Net Expenditure</b>	<b>-20,670</b>	<b>0</b>	<b>-20,670</b>	<b>0</b>	<b>0</b>	<b>-20,670</b>

		17/18	17/18	17/18 After			18/19
S4511	Other Building Control Work	Original	Virements	Virements	Salaries	MTFS	Budget
	Third Party Payment / Receipt	94,800	0	94,800	0	0	94,800
	<b>Net Expenditure</b>	<b>94,800</b>	<b>0</b>	<b>94,800</b>	<b>0</b>	<b>0</b>	<b>94,800</b>

**Commercial Services Budget - 2018/19**

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget	
S1304	Grounds Maintenance General	Cathy Aubertin	-33,297	479,590	446,293	4,100	0	450,393
S2002	Beach and Water Safety	Helen Dobby	84,600	0	84,600	0	-40,000	44,600
S2005	Salcombe Harbour	Helen Dobby	0	0	0	0	0	0
S2010	Dartmouth Ferry	Helen Dobby	94,820	-59,320	35,500	-56,300	-18,700	-39,500
S2017	Street and Beach Cleaning	Cathy Aubertin	892,301	-45,284	847,017	-76,100	0	770,917
S2030	Totnes Depot	Cathy Aubertin	-1,700	58,000	56,300	0	0	56,300
S2040	Dartmouth Depot	Cathy Aubertin	300	3,500	3,800	0	0	3,800
S2041	Transfer Station Torr Quarry	Cathy Aubertin	248,500	10,000	258,500	1,500	0	260,000
S2043	Ivybridge Depot	Cathy Aubertin	-100	40,400	40,300	0	6,000	46,300
S2044	Torr Quarry Depot	Cathy Aubertin	400	24,900	25,300	0	0	25,300
S2101	Car Parking Overhead Account	Cathy Aubertin	-1,740,715	-34,460	-1,775,175	650	-114,300	-1,888,825
S2310	Dog Warden Service	Cathy Aubertin	5,000	0	5,000	0	0	5,000
S2400	Public Conveniences Overheads Account	Cathy Aubertin	674,724	-2,739	671,985	-5,378	-26,000	640,607
S2702	Household Waste Collection	Cathy Aubertin	1,844,680	-63,797	1,780,883	79,564	153,500	2,013,947
S2705	Recycling Services	Cathy Aubertin	570,166	-45,672	524,494	9,664	0	534,158
S2710	Mechanical Leaf Sweepings	Cathy Aubertin	-34,500	34,500	0	0	0	0
S2713	Trade Waste Services	Cathy Aubertin	-110,975	-1,857	-112,832	28,600	40,000	-44,232
S2715	Garden Waste Services	Cathy Aubertin	4,000	-4,000	0	0	0	0
S2716	Food Waste Services	Cathy Aubertin	-3,400	0	-3,400	0	0	-3,400
S2720	Waste & Recycling Services	Cathy Aubertin	393,740	-77,840	315,900	-27,900	0	288,000
S2721	Environment Services - Manual Staff	Cathy Aubertin	-36,789	21,639	-15,150	29,672	0	14,522
S2733	Other Commercial Services	Cathy Aubertin	426,460	-4,460	422,000	68,900	0	490,900
S2734	Pannier Markets Overheads	Cathy Aubertin	-89,280	-520	-89,800	0	0	-89,800
S2841	Repairs and Maintenance	Chris Brook	-67,393	-52,850	-120,243	65,000	0	-55,243
S2884	Supervisors Vehicles	Cathy Aubertin	200	-7,200	-7,000	0	0	-7,000
S2886	Landscape and Leisure Vehicles	Cathy Aubertin	0	0	0	0	0	0
S2887	Street Scene Vehicles	Cathy Aubertin	300	-8,600	-8,300	0	0	-8,300
S2703	Data Management	Cathy Aubertin	-50,000	0	-50,000	0	0	-50,000
			<b>3,072,042</b>	<b>263,930</b>	<b>3,335,972</b>	<b>121,972</b>	<b>500</b>	<b>3,458,444</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
	<b>Grounds Maintenance General</b>						
	Staff Costs	284,360	7,540	291,900	4,100	0	296,000
	Premises Costs	-474,100	480,000	5,900	0	0	5,900
S1304	Transport Costs	92,243	-13,950	78,293	0	0	78,293
	Supplies and Services	59,900	-1,000	58,900	0	0	58,900
	Capital Charges	33,900	0	33,900	0	0	33,900
	<b>Income</b>						
	Other Grants and Contributions	-29,600	7,000	-22,600	0	0	-22,600
	<b>Net Expenditure</b>	<b>-33,297</b>	<b>479,590</b>	<b>446,293</b>	<b>4,100</b>	<b>0</b>	<b>450,393</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
	<b>Beach and Water Safety</b>						
	Staff Costs	12,000	0	12,000	0	0	12,000
	Premises Costs	4,700	0	4,700	0	0	4,700
S2002	Supplies and Services	21,400	0	21,400	0	0	21,400
	Third Party Payments	75,700	0	75,700	0	-40,000	35,700
	<b>Income</b>						
	Other Grants and Contributions	-29,200	0	-29,200	0	0	-29,200
	<b>Net Expenditure</b>	<b>84,600</b>	<b>0</b>	<b>84,600</b>	<b>0</b>	<b>-40,000</b>	<b>44,600</b>
	* Reduction in RNLI Lifeguard contribution (£40k)						

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
	<b>Salcombe Harbour</b>						
	Staff Costs	398,300	0	398,300	0	16,200	414,500
	Premises Costs	321,000	0	321,000	0	9,100	330,100
	Transport Costs	47,000	0	47,000	0	8,100	55,100
	Supplies and Services	73,100	0	73,100	0	4,600	77,700
	Recharges E	43,800	0	43,800	0	300	44,100
S2005	Capital Charges	25,100	0	25,100	0	0	25,100
	Transfer to Reserves	158,500	0	158,500	0	-5,500	153,000
	<b>Income</b>						
	Sales	-100	0	-100	0	100	0
	Fees and Charges	-1,048,800	0	-1,048,800	0	-12,300	-1,061,100
	Rent	-1,500	0	-1,500	0	1,500	0
	Other Grants and Contributions	-6,000	0	-6,000	0	-31,800	-37,800
	Interest	-700	0	-700	0	0	-700
	Recharges	-9,700	0	-9,700	0	9,700	0
	<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
	<b>Dartmouth Ferry</b>						
	Staff Costs	599,450	-6,350	593,100	-56,300	-18,700	518,100
	Premises Costs	66,060	18,040	84,100	0	0	84,100
	Transport Costs	170,410	-75,010	95,400	0	0	95,400
S2010	Supplies and Services	28,300	4,000	32,300	0	0	32,300
	Capital Charges	37,600	0	37,600	0	0	37,600
	<b>Income</b>						
	Fees and Charges	-798,300	0	-798,300	0	0	-798,300
	Other Grants and Contributions	-8,700	0	-8,700	0	0	-8,700
	<b>Net Expenditure</b>	<b>94,820</b>	<b>-59,320</b>	<b>35,500</b>	<b>-56,300</b>	<b>-18,700</b>	<b>-39,500</b>
	* Savings from reorganisation of staff and changes in terms and conditions (£75k)						

		17/18	17/18	17/18 After			18/19 Budget
		Original	Virements	Virements	Salaries	MTFS	
		Budget					
<b>Street and Beach Cleaning</b>							
	Staff Costs	514,580	-6,080	508,500	-76,100	0	432,400
	Premises Costs	23,500	-23,500	0	0	0	0
	Transport Costs	188,478	-9,890	178,588	0	0	178,588
	Supplies and Services	66,000	0	66,000	0	0	66,000
S2017	Recharges E	143,643	-5,814	137,829	0	0	137,829
	Capital Charges	48,400	0	48,400	0	0	48,400
	<b>Income</b>	0	0	0	0	0	0
	Fees and Charges	-2,700	0	-2,700	0	0	-2,700
	Other Grants and Contributions	-27,200	0	-27,200	0	0	-27,200
	Recharges	-62,400	0	-62,400	0	0	-62,400
	<b>Net Expenditure</b>	<b>892,301</b>	<b>-45,284</b>	<b>847,017</b>	<b>-76,100</b>	<b>0</b>	<b>770,917</b>
* Movement of staff between cost centres							

		17/18	17/18	17/18 After			18/19 Budget
		Original	Virements	Virements	Salaries	MTFS	
		Budget					
<b>Totnes Depot</b>							
S2030	Premises Costs	-22,000	58,000	36,000	0	0	36,000
	Transport Costs	100	0	100	0	0	100
	Supplies and Services	8,900	0	8,900	0	0	8,900
	Capital Charges	11,300	0	11,300	0	0	11,300
	<b>Net Expenditure</b>	<b>-1,700</b>	<b>58,000</b>	<b>56,300</b>	<b>0</b>	<b>0</b>	<b>56,300</b>

		17/18	17/18	17/18 After			18/19 Budget
		Original	Virements	Virements	Salaries	MTFS	
		Budget					
<b>Transfer Station Torr Quarry</b>							
S2041	Staff Costs	22,900	0	22,900	1,500	0	24,400
	Premises Costs	8,400	0	8,400	0	0	8,400
	Transport Costs	31,800	10,000	41,800	0	0	41,800
	Supplies and Services	185,400	0	185,400	0	0	185,400
	<b>Net Expenditure</b>	<b>248,500</b>	<b>10,000</b>	<b>258,500</b>	<b>1,500</b>	<b>0</b>	<b>260,000</b>

		17/18	17/18	17/18 After			18/19 Budget
		Original	Virements	Virements	Salaries	MTFS	
		Budget					
<b>Ivybridge Depot</b>							
S2043	Premises Costs	-21,600	40,400	18,800	0	0	18,800
	Transport Costs	250	0	250	0	0	250
	Supplies and Services	5,475	0	5,475	0	6,000	11,475
	Capital Charges	19,400	0	19,400	0	0	19,400
	<b>Income</b>	0	0	0	0	0	0
	Rent	-3,625	0	-3,625	0	0	-3,625
	<b>Net Expenditure</b>	<b>-100</b>	<b>40,400</b>	<b>40,300</b>	<b>0</b>	<b>6,000</b>	<b>46,300</b>
* Improvement to line to Ivybridge Depot							

		17/18	17/18	17/18 After			18/19 Budget
		Original	Virements	Virements	Salaries	MTFS	
		Budget					
<b>Torr Quarry Depot</b>							
S2044	Premises Costs	-12,700	24,900	12,200	0	0	12,200
	Transport Costs	500	0	500	0	0	500
	Supplies and Services	7,400	0	7,400	0	0	7,400
	Capital Charges	5,200	0	5,200	0	0	5,200
	<b>Net Expenditure</b>	<b>400</b>	<b>24,900</b>	<b>25,300</b>	<b>0</b>	<b>0</b>	<b>25,300</b>

		17/18	17/18	17/18 After			18/19 Budget
		Original	Virements	Virements	Salaries	MTFS	
		Budget					
<b>Car Parking Overhead Account</b>							
	Staff Costs	84,800	-4,000	80,800	650	0	81,450
	Premises Costs	792,460	-40,460	752,000	0	23,000	775,000
	Transport Costs	172,725	-7,000	165,725	0	0	165,725
	Supplies and Services	149,100	11,200	160,300	0	0	160,300
S2101	Capital Charges	22,600	0	22,600	0	0	22,600
	<b>Income</b>	0	0	0	0	0	0
	Fees and Charges	-2,924,900	6,800	-2,918,100	0	-137,300	-3,055,400
	Rent	-18,300	-1,000	-19,300	0	0	-19,300
	Other Grants and Contributions	-19,200	0	-19,200	0	0	-19,200
	<b>Net Expenditure</b>	<b>-1,740,715</b>	<b>-34,460</b>	<b>-1,775,175</b>	<b>650</b>	<b>-114,300</b>	<b>-1,888,825</b>

\* Cost of lease renewal for car parks (£23k)

\* Additional car park income (£123k) and boat storage fees (£14.3k)

The salary costs of staff delivering these services are sat within the case management, specialist and localities budgets and an appropriate allocation of these costs will be apportioned to the car parking budget for staff costs. Similarly, an apportionment is made at the year end for the cost of support services and central overheads. The difference between the income and expenditure is used to support costs associated with the operation and maintenance of parking services, its infrastructure and the maintenance of off street car parks. It is also used to support and provide other Council services such as public toilets, street cleansing, parks and open spaces and other lawfully incurred identified expenditure.

		17/18	17/18	17/18 After	Salaries	MTFS	18/19 Budget
		Original	Virements	Virements			
		Budget					
<b>S2310</b>	<b>Dog Warden Service</b>						
	Supplies and Services	9,200	0	9,200	0	0	9,200
	<b>Income</b>						
	Recharges	-4,200	0	-4,200	0	0	-4,200
	<b>Net Expenditure</b>	<b>5,000</b>	<b>0</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>5,000</b>

		17/18	17/18	17/18 After	Salaries	MTFS	18/19 Budget
		Original	Virements	Virements			
		Budget					
	<b>Public Conveniences Overheads Account</b>						
	Staff Costs	199,440	-3,140	196,300	-5,378	0	190,922
	Premises Costs	294,790	-8,990	285,800	0	0	285,800
	Transport Costs	34,191	-6,120	28,071	0	0	28,071
	Supplies and Services	30,300	0	30,300	0	0	30,300
<b>S2400</b>	Recharges E	78,403	-9,489	68,914	0	0	68,914
	Capital Charges	118,600	0	118,600	0	0	118,600
	<b>Income</b>						
	Fees and Charges	-20,000	0	-20,000	0	-16,000	-36,000
	Other Grants and Contributions	-61,000	25,000	-36,000	0	-10,000	-46,000
	<b>Net Expenditure</b>	<b>674,724</b>	<b>-2,739</b>	<b>671,985</b>	<b>-5,378</b>	<b>-26,000</b>	<b>640,607</b>
	* Introduction on pay on entry at selected public conveniences (£16k)						
	* Obtain 75% cost contribution from cafes towards public conveniences (£10k)						

		17/18	17/18	17/18 After	Salaries	MTFS	18/19 Budget
		Original	Virements	Virements			
		Budget					
	<b>Household Waste Collection</b>						
	Staff Costs	871,480	2,856	874,336	79,564	16,000	969,900
	Premises Costs	24,280	-24,280	0	0	0	0
	Transport Costs	563,254	-47,540	515,714	0	0	515,714
	Supplies and Services	68,800	0	68,800	0	0	68,800
	Recharges E	239,166	5,167	244,333	0	0	244,333
<b>S2702</b>	Capital Charges	458,100	0	458,100	0	0	458,100
	<b>Income</b>						
	Government Grants	-260,000	0	-260,000	0	137,500	-122,500
	Sales	-30,000	0	-30,000	0	0	-30,000
	Fees and Charges	-7,900	0	-7,900	0	0	-7,900
	Other Grants and Contributions	-82,500	0	-82,500	0	0	-82,500
	<b>Net Expenditure</b>	<b>1,844,680</b>	<b>-63,797</b>	<b>1,780,883</b>	<b>79,564</b>	<b>153,500</b>	<b>2,013,947</b>
	* Training for HGV Licenses (£16k)						
	* Reduced contribution from DCC for Torr Quarry Transfer Station (£137.5k)						

		17/18	17/18	17/18 After	Salaries	MTFS	18/19 Budget
		Original	Virements	Virements			
		Budget					
	<b>Recycling Services</b>						
	Staff Costs	288,240	17,996	306,236	9,664	0	315,900
	Premises Costs	54,600	-12,100	42,500	0	0	42,500
	Transport Costs	278,629	-15,300	263,329	0	0	263,329
<b>S2705</b>	Supplies and Services	317,400	0	317,400	0	0	317,400
	Recharges E	139,597	-1,768	137,829	0	0	137,829
	Capital Charges	101,700	0	101,700	0	0	101,700
	<b>Income</b>						
	Other Grants and Contributions	-610,000	-34,500	-644,500	0	0	-644,500
	<b>Net Expenditure</b>	<b>570,166</b>	<b>-45,672</b>	<b>524,494</b>	<b>9,664</b>	<b>0</b>	<b>534,158</b>

		17/18	17/18	17/18 After	Salaries	MTFS	18/19 Budget
		Original	Virements	Virements			
		Budget					
<b>S2710</b>	<b>Mechanical Leaf Sweepings</b>						
	Supplies and Services	26,000	-26,000	0	0	0	0
	<b>Income</b>						
	Other Grants and Contributions	-60,500	60,500	0	0	0	0
	<b>Net Expenditure</b>	<b>-34,500</b>	<b>34,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	* Transferred to S2705						

		17/18	17/18	17/18 After	Salaries	MTFS	18/19 Budget
		Original	Virements	Virements			
		Budget					
	<b>Trade Waste Services</b>						
	Staff Costs	146,110	-810	145,300	28,600	0	173,900
	Premises Costs	7,200	-4,100	3,100	0	0	3,100
	Transport Costs	80,369	2,410	82,779	0	0	82,779
<b>S2713</b>	Supplies and Services	428,500	-7,000	421,500	0	0	421,500
	Recharges E	29,946	7,643	37,589	0	0	37,589
	Capital Charges	50,900	0	50,900	0	0	50,900
	<b>Income</b>						
	Fees and Charges	-854,000	0	-854,000	0	40,000	-814,000
	<b>Net Expenditure</b>	<b>-110,975</b>	<b>-1,857</b>	<b>-112,832</b>	<b>28,600</b>	<b>40,000</b>	<b>-44,232</b>
	* Reduce the trade waste income target from business rated domestic properties to reflect actual income being received (£40k)						

		17/18	17/18	17/18 After	Salaries	MTFS	18/19 Budget
		Original	Virements	Virements			
		Budget					
<b>S2715</b>	<b>Garden Waste Services</b>						
	Premises Costs	4,000	-4,000	0	0	0	0
	<b>Net Expenditure</b>	<b>4,000</b>	<b>-4,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	* Transferred to S2705						

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>Food Waste Services</b>							
S2716	Supplies and Services	2,100	0	2,100	0	0	2,100
	<b>Income</b>						
	Sales	-5,500	0	-5,500	0	0	-5,500
	<b>Net Expenditure</b>	<b>-3,400</b>	<b>0</b>	<b>-3,400</b>	<b>0</b>	<b>0</b>	<b>-3,400</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>Waste &amp; Recycling Services</b>							
S2720	Staff Costs	422,240	-77,840	344,400	-30,300	0	314,100
	Transport Costs	500	0	500	0	0	500
	Supplies and Services	0	0	0	0	0	0
	<b>Income</b>						
	Recharges	-29,000	0	-29,000	2,400	0	-26,600
	<b>Net Expenditure</b>	<b>393,740</b>	<b>-77,840</b>	<b>315,900</b>	<b>-27,900</b>	<b>0</b>	<b>288,000</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S2721	<b>Environment Services - Manual Staff</b>						
	Staff Costs	593,966	17,378	611,344	29,672	0	641,016
	Recharges E	-630,755	4,261	-626,494	0	0	-626,494
	<b>Net Expenditure</b>	<b>-36,789</b>	<b>21,639</b>	<b>-15,150</b>	<b>29,672</b>	<b>0</b>	<b>14,522</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S2733	<b>Other Commercial Services</b>						
	Staff Costs	456,060	-4,460	451,600	72,700	0	524,300
	<b>Income</b>						
	Recharges	-29,600	0	-29,600	-3,800	0	-33,400
	<b>Net Expenditure</b>	<b>426,460</b>	<b>-4,460</b>	<b>422,000</b>	<b>68,900</b>	<b>0</b>	<b>490,900</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S2734	<b>Pannier Markets Overheads</b>						
	Staff Costs	1,100	0	1,100	0	0	1,100
	Premises Costs	10,520	-520	10,000	0	0	10,000
	Supplies and Services	9,100	0	9,100	0	0	9,100
	<b>Income</b>						
	Fees and Charges	-110,000	0	-110,000	0	0	-110,000
	<b>Net Expenditure</b>	<b>-89,280</b>	<b>-520</b>	<b>-89,800</b>	<b>0</b>	<b>0</b>	<b>-89,800</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S2841	<b>Repairs and Maintenance</b>						
	Staff Costs	409,690	-6,490	403,200	65,000	0	468,200
	Premises Costs	-732,700	-28,000	-760,700	0	0	-760,700
	Transport Costs	97,317	-18,360	78,957	0	0	78,957
	Supplies and Services	158,300	0	158,300	0	0	158,300
	<b>Net Expenditure</b>	<b>-67,393</b>	<b>-52,850</b>	<b>-120,243</b>	<b>65,000</b>	<b>0</b>	<b>-55,243</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S2884	<b>Supervisors Vehicles</b>						
	Transport Costs	-5,100	-7,200	-12,300	0	0	-12,300
	Capital Charges	5,300	0	5,300	0	0	5,300
	<b>Net Expenditure</b>	<b>200</b>	<b>-7,200</b>	<b>-7,000</b>	<b>0</b>	<b>0</b>	<b>-7,000</b>

		17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
S2887	<b>Street Scene Vehicles</b>						
	Transport Costs	300	-8,600	-8,300	0	0	-8,300
	<b>Net Expenditure</b>	<b>300</b>	<b>-8,600</b>	<b>-8,300</b>	<b>0</b>	<b>0</b>	<b>-8,300</b>

## Support Service Budgets - 2018/19

			17/18	17/18	17/18 After			18/19
			Original	Virements	Virements	Salaries	MTFS	Budget
			Budget					
S4001	Executive Directors	Neil Hawke	140,510	-6,510	134,000	1,200	0	135,200
S4004	Corporate Training & Occ Health	Andy Wilson	43,200	-900	42,300	0	0	42,300
S4009	Non Distributed Costs	Lisa Buckle	478,979	-8,779	470,200	0	0	470,200
S4010	Inflation/Pension Provision	Lisa Buckle	0	0	0	0	48,429	48,429
S4041	Internal Audit	Neil Hawke	81,610	-2,510	79,100	-100	0	79,000
S4084	ICT Software & Support Contracts	Mike Ward	336,620	0	336,620	0	55,000	391,620
S4086	Client Hardware Replacement	Mike Ward	36,600	0	36,600	0	0	36,600
S4100	Human Resources CoP	Neil Hawke	128,320	7,980	136,300	13,400	0	149,700
S4101	Legal CoP	Neil Hawke	169,610	-12,310	157,300	2,400	0	159,700
S4102	Design CoP	Neil Hawke	53,610	-810	52,800	2,700	0	55,500
S4103	Finance CoP	Neil Hawke	229,440	-11,940	217,500	0	0	217,500
S4104	ICT CoP	Neil Hawke	264,350	-26,750	237,600	11,100	0	248,700
S4150	Support Services Case Management	Rebecca Doyle	421,610	-11,510	410,100	102,000	-24,750	487,350
S4160	Corporate Management	Steve Jordan	177,300	2,000	179,300	0	-10,000	169,300
S4180	Support Services Mgmt & O'Heads	Neil Hawke	103,610	15,790	119,400	6,000	0	125,400
S4196	Customer Support	Anita Ley	124,250	-23,250	101,000	1,800	0	102,800
S4199	Central Service Overheads	Neil Hawke	165,500	-2,000	163,500	0	0	163,500
S4200	Insurance	Lisa Buckle	0	459,440	459,440	0	-77,000	382,440
S6021	Parish Support Grant	Lisa Buckle	91,658	0	91,658	0	-9,000	82,658
S6050	Interest & Investment Income	Lisa Buckle	-123,000	0	-123,000	0	0	-123,000
			<b>2,923,777</b>	<b>377,941</b>	<b>3,301,718</b>	<b>140,500</b>	<b>-17,321</b>	<b>3,424,897</b>

			17/18	17/18	17/18 After			18/19
			Original	Virements	Virements	Salaries	MTFS	Budget
			Budget					
<b>Executive Directors</b>								
	Staff Costs		186,910	-410	186,500	2,500	0	189,000
S4001	Transport Costs		3,900	-2,100	1,800	0	0	1,800
	Supplies and Services		11,300	-1,900	9,400	0	0	9,400
<b>Income</b>								
	Recharges		-61,600	-2,100	-63,700	-1,300	0	-65,000
<b>Net Expenditure</b>			<b>140,510</b>	<b>-6,510</b>	<b>134,000</b>	<b>1,200</b>	<b>0</b>	<b>135,200</b>

			17/18	17/18	17/18 After			18/19
			Original	Virements	Virements	Salaries	MTFS	Budget
			Budget					
S4004	<b>Corporate Training &amp; Occ Health</b>							
	Staff Costs		43,200	0	43,200	0	0	43,200
	Recharges		0	-900	-900	0	0	-900
<b>Net Expenditure</b>			<b>43,200</b>	<b>-900</b>	<b>42,300</b>	<b>0</b>	<b>0</b>	<b>42,300</b>

			17/18	17/18	17/18 After			18/19
			Original	Virements	Virements	Salaries	MTFS	Budget
			Budget					
<b>Non Distributed Costs</b>								
S4009	Staff Costs		208,200	-9,000	199,200	0	0	199,200
	Premises Costs		26,200	-26,200	0	0	0	0
	Corporate Items		244,579	26,421	271,000	0	0	271,000
<b>Net Expenditure</b>			<b>478,979</b>	<b>-8,779</b>	<b>470,200</b>	<b>0</b>	<b>0</b>	<b>470,200</b>

			17/18	17/18	17/18 After			18/19
			Original	Virements	Virements	Salaries	MTFS	Budget
			Budget					
S4010	<b>Inflation/Pension Provision</b>							
	Corporate Items	*	0	0	0	0	48,429	48,429
<b>Net Expenditure</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>48,429</b>	<b>48,429</b>
* Includes £30,000 salary provision for steady state review								

			17/18	17/18	17/18 After			18/19
			Original	Virements	Virements	Salaries	MTFS	Budget
			Budget					
<b>Internal Audit</b>								
	Staff Costs		76,310	-810	75,500	2,800	0	78,300
S4041	Transport Costs		300	-100	200	0	0	200
	Supplies and Services		17,800	900	18,700	0	0	18,700
<b>Income</b>								
	Recharges		-12,800	-2,500	-15,300	-2,900	0	-18,200
<b>Net Expenditure</b>			<b>81,610</b>	<b>-2,510</b>	<b>79,100</b>	<b>-100</b>	<b>0</b>	<b>79,000</b>

			17/18	17/18	17/18 After			18/19
			Original	Virements	Virements	Salaries	MTFS	Budget
			Budget					
<b>ICT Software &amp; Support Contracts</b>								
	Supplies and Services		395,420	0	395,420	0	55,000	450,420
S4084	Savings to be made		0	0	0	0	0	0
<b>Income</b>								
	Recharges		-58,800	0	-58,800	0	0	-58,800



<b>Net Expenditure</b>	<b>336,620</b>	<b>0</b>	<b>336,620</b>	<b>0</b>	<b>55,000</b>	<b>391,620</b>
* Increased budget for ICT Support Contract costs to align with actual expenditure (£40k) and network switches (£15k)						

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>S4086 Client Hardware Replacement</b>						
Supplies and Services	36,600	0	36,600	0	0	36,600
<b>Net Expenditure</b>	<b>36,600</b>	<b>0</b>	<b>36,600</b>	<b>0</b>	<b>0</b>	<b>36,600</b>

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>Human Resources CoP</b>						
Staff Costs *	154,420	32,080	186,500	8,400	0	194,900
Transport Costs	1,000	0	1,000	0	0	1,000
Supplies and Services	4,600	0	4,600	0	0	4,600
<b>Income</b>						
Recharges	-31,700	-24,100	-55,800	5,000	0	-50,800
<b>Net Expenditure</b>	<b>128,320</b>	<b>7,980</b>	<b>136,300</b>	<b>13,400</b>	<b>0</b>	<b>149,700</b>

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>Legal CoP</b>						
Staff Costs	223,110	-1,010	222,100	8,900	0	231,000
Transport Costs	600	0	600	0	0	600
Supplies and Services *	4,200	2,800	7,000	0	0	7,000
<b>Income</b>						
Recharges	-58,300	-14,100	-72,400	-6,500	0	-78,900
<b>Net Expenditure</b>	<b>169,610</b>	<b>-12,310</b>	<b>157,300</b>	<b>2,400</b>	<b>0</b>	<b>159,700</b>

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>Design CoP</b>						
Staff Costs	75,710	-810	74,900	3,900	0	78,800
Transport Costs	100	0	100	0	0	100
<b>Income</b>						
Recharges	-22,200	0	-22,200	-1,200	0	-23,400
<b>Net Expenditure</b>	<b>53,610</b>	<b>-810</b>	<b>52,800</b>	<b>2,700</b>	<b>0</b>	<b>55,500</b>

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>Finance CoP</b>						
Staff Costs	331,740	-2,840	328,900	-13,700	0	315,200
Transport Costs	1,000	-200	800	0	0	800
Supplies and Services	15,800	0	15,800	0	0	15,800
<b>Income</b>						
Recharges	-119,100	-8,900	-128,000	13,700	0	-114,300
<b>Net Expenditure</b>	<b>229,440</b>	<b>-11,940</b>	<b>217,500</b>	<b>0</b>	<b>0</b>	<b>217,500</b>

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>ICT CoP</b>						
Staff Costs	475,750	-35,950	439,800	21,000	0	460,800
Transport Costs	2,500	-700	1,800	0	0	1,800
Supplies and Services	400	0	400	0	0	400
<b>Income</b>						
Recharges	-214,300	9,900	-204,400	-9,900	0	-214,300
<b>Net Expenditure</b>	<b>264,350</b>	<b>-26,750</b>	<b>237,600</b>	<b>11,100</b>	<b>0</b>	<b>248,700</b>

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>Support Services Case Management</b>						
Staff Costs *	398,010	-5,710	392,300	145,500	-24,750	513,050
Transport Costs	800	0	800	0	0	800
Supplies and Services	164,500	0	164,500	0	0	164,500
<b>Income</b>						
Fees and Charges	-3,300	0	-3,300	0	0	-3,300
Recharges *	-138,400	-5,800	-144,200	-43,500	0	-187,700
<b>Net Expenditure</b>	<b>421,610</b>	<b>-11,510</b>	<b>410,100</b>	<b>102,000</b>	<b>-24,750</b>	<b>487,350</b>
* Reorganisation of staff resources in 2017/18 with posts moving into Case Management from other cost centres						

	17/18 Original Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
<b>Corporate Management</b>						
Staff Costs	64,700	0	64,700	0	0	64,700
Supplies and Services	112,600	2,000	114,600	0	-10,000	104,600
<b>Net Expenditure</b>	<b>177,300</b>	<b>2,000</b>	<b>179,300</b>	<b>0</b>	<b>-10,000</b>	<b>169,300</b>
* Savings on external audit fees (£10k)						

		17/18	17/18	17/18 After			18/19
		Original	Virements	Virements	Salaries	MTFS	Budget
		Budget					
<b>Support Services Mgmt &amp; O' Heads</b>							
	Staff Costs	119,910	31,890	151,800	10,500	0	162,300
<b>S4180</b>	Transport Costs	500	0	500	0	0	500
	Supplies and Services	29,600	0	29,600	0	0	29,600
	<b>Income</b>						
	Recharges	-46,400	-16,100	-62,500	-4,500	0	-67,000
	<b>Net Expenditure</b>	<b>103,610</b>	<b>15,790</b>	<b>119,400</b>	<b>6,000</b>	<b>0</b>	<b>125,400</b>

		17/18	17/18	17/18 After			18/19
		Original	Virements	Virements	Salaries	MTFS	Budget
		Budget					
<b>Customer Support</b>							
	Staff Costs	192,250	-37,050	155,200	4,900	0	160,100
<b>S4196</b>	Transport Costs	200	0	200	0	0	200
	<b>Income</b>						
	Recharges	-68,200	13,800	-54,400	-3,100	0	-57,500
	<b>Net Expenditure</b>	<b>124,250</b>	<b>-23,250</b>	<b>101,000</b>	<b>1,800</b>	<b>0</b>	<b>102,800</b>

		17/18	17/18	17/18 After			18/19
		Original	Virements	Virements	Salaries	MTFS	Budget
		Budget					
<b>Central Service Overheads</b>							
	Staff Costs	23,400	0	23,400	0	0	23,400
<b>S4199</b>	Supplies and Services	142,100	-2,000	140,100	0	0	140,100
	<b>Net Expenditure</b>	<b>165,500</b>	<b>-2,000</b>	<b>163,500</b>	<b>0</b>	<b>0</b>	<b>163,500</b>

		17/18	17/18	17/18 After			18/19
		Original	Virements	Virements	Salaries	MTFS	Budget
		Budget					
<b>Interest &amp; Investment Income</b>							
	Interest	-123,000	0	-123,000	0	0	-123,000
<b>S6050</b>	<b>Net Expenditure</b>	<b>-123,000</b>	<b>0</b>	<b>-123,000</b>	<b>0</b>	<b>0</b>	<b>-123,000</b>

		17/18	17/18	17/18 After			18/19
		Original	Virements	Virements	Salaries	MTFS	Budget
		Budget					
<b>Insurance</b>							
	Staff Costs	0	151,130	151,130	0	-77,000	74,130
<b>S4200</b>	Premises Costs	0	117,570	117,570	0	0	117,570
	Transport Costs	0	190,740	190,740	0	0	190,740
	<b>Net Expenditure</b>	<b>0</b>	<b>459,440</b>	<b>459,440</b>	<b>0</b>	<b>-77,000</b>	<b>382,440</b>
	* Savings from re-procurement of the insurance contract (£77k)						

		17/18	17/18	17/18 After			18/19
		Original	Virements	Virements	Salaries	MTFS	Budget
		Budget					
<b>Parish Support Grant</b>							
	Corporate Items	91,658	0	91,658	0	-9,000	82,658
<b>S6021</b>	<b>Net Expenditure</b>	<b>91,658</b>	<b>0</b>	<b>91,658</b>	<b>0</b>	<b>-9,000</b>	<b>82,658</b>
	* Reduction in Parish Support Grant paid to parishes (£9k)						

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Report to: **Audit Committee**  
Date: **22 March 2018**  
Title: **Shared Services Methodology 2017/18**  
Portfolio Area: **Support Services – Councillor S Wright**

Wards Affected: **ALL**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: Pauline Henstock Role: **Finance Community of Practice Lead**

Contact: **Email [pauline.henstock@swdevon.gov.uk](mailto:pauline.henstock@swdevon.gov.uk)**  
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**Recommendations:**

**That the Audit Committee notes the methodology of the shared services apportionment of costs between South Hams District Council and West Devon Borough Council, as attached in Appendix A.**

**1. Executive summary**

The methodology for the apportionment of costs (predominantly staffing costs) between South Hams District Council and West Devon Borough Council is set out in the attached Appendix. The staffing costs of a particular service team are split on a defined basis as set out. The split of costs reflects the level of caseload which is attributable to each Council's individual service.

## 2. Background

This report is the annual report to the Audit Committee which sets out the methodology and mechanisms that are being used to calculate the cost allocations between the two Councils.

South Hams District Council and West Devon Borough Council have been shared service partners since 2007. The Councils have a shared non-manual workforce.

Appendix A sets out the methodology and the percentage on which staff costs and other related costs for each service are split between South Hams District Council and West Devon Borough Council. The caseload statistics are the actual caseloads for each service for the first three quarters of 2017/18.

In KPMG's annual report to the Audit Committee in September 2017 they stated that 'No significant issues arose as a result of their work in the allocation of shared costs.'

## 3. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Council is legally required to maintain adequate governance and financial arrangements to ensure a fair allocation of shared costs is absorbed by each individual Council.
Financial	Y	As above.
Risk	Y	The allocation of shared costs was identified by KPMG as a key financial statements audit risk. KPMG's final report concluded that 'No significant issues arose as a result of their work in this area.'
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	none

## **Appendices**

Appendix A – List of shared service apportionments for 2017/18

## Shared Services Allocations of costs for the Financial Year 2017/2018

<b>Service Area</b>	<b>Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)</b>	<b>Basis of the apportionment of costs between SHDC and WDBC</b>	<b>Caseload Information which has informed the shared services apportionment</b>
<b>Strategy and Commissioning</b>			
Place Making	50%/50%	Equal due to the nature of the work	N/A
Member Services	50%/50%	Equal due to the nature of the work	N/A
Business Development Team	50%/50%	Equal due to the nature of the work	N/A
<b>Customer First</b>			
Customer Contact Centre	Customer calls 70%/30%	Number of calls to the Customer Contact Centre April- Dec 2017/18	South Hams – 123,295 West Devon – 53,377
Case Management Managers and Team Leaders	50%/50%	Management of case managers and workload	N/A – reflects managerial element of roles

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Planning	70%/30% Planning Caseload data	Planning applications  Planning Enforcement cases	South Hams -1,866 West Devon – 676  South Hams – 301 West Devon 110
Housing Benefits	60%/40%	Housing Benefit new claims processed and  change of circumstances processed	New claims: South Hams 794 West Devon 608 Change of circs: South Hams 4,111 West Devon 2,720
Council Tax	Council Tax 63%/37%	Council Tax rated properties (Valuation office list at Mar 18)	South Hams – 44,069 West Devon – 25,625

Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Business Rates	Business Rates 63%/37%	Business Rates Rating List – valuation in RV (March 18) is indicator but assessment of workload is used for apportionments	South Hams – 86,643,578 RV West Devon – 32,153,074 RV
Environmental Health COP – various apportionments	Main team allocation 60%/40%	Various depending on their work	Various depending on their work
	Disabled Facility Grants work (65%/ 35%)	Disabled Facility Grant cases received	South Hams – 152 West Devon - 73
	Licensing Policy work (50%/50%)	Policy work	N/A
	Food Inspections (75%/25%)	Number of Food Inspections	South Hams – 977 West Devon - 342
	Private Water Supplies (52%/48%)	Number of Private Water Supplies	South Hams – 249 West Devon - 229



Service Area	Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)	Basis of the apportionment of costs between SHDC and WDBC	Caseload Information which has informed the shared services apportionment
Assets	70%/30%	Balance Sheet Assets in each Council's Accounts (31/3/17)	South Hams £76 mil West Devon £19.5 mil
Leisure	67%/33%	Number of Leisure Centres	South Hams – 4 West Devon - 2
Housing COP – various apportionments	Housing caseload data 60%/40%	Number of contacts  Number of housing preventions  Numbers on the housing register  Number of Direct Lets	South Hams 447 West Devon 309  South Hams 188 West Devon 171  South Hams – 1,321 West Devon – 669  South Hams – 43 West Devon – Nil

<b>Service Area</b>	<b>Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)</b>	<b>Basis of the apportionment of costs between SHDC and WDBC</b>	<b>Caseload Information which has informed the shared services apportionment</b>
<b>Commercial Services</b>			
<b>Waste</b>	80%/20% 100%/0% 60%/40%	Dependent on specific activity	Each role is assessed
<b>Facilities</b>	70%/30%	Time allocation	N/A
<b>Support Services</b>			
<b>Media COP</b>	50%/50%	Time allocation	N/A
<b>HR COP</b>	79%/21%	Permanent posts on the establishment	South Hams – 397 West Devon - 105
<b>Legal COP</b>	60%/40%	Time allocation	N/A
<b>Finance COP</b>	60%/40%	Time allocation	N/A
<b>ICT Infrastructure team</b>	50%/50%	Time allocation	N/A
<b>ICT Helpdesk team</b>	60%/40%	Time allocation	N/A
<b>Case Management Support Services</b>	60%/40%	Time allocation	N/A
<b>Digital Mailroom</b>	65%/35%	Time allocation	N/A

<b>Service Area</b>	<b>Allocation of South Hams District Council (SHDC) to West Devon Borough Council (WDBC)</b>	<b>Basis of the apportionment of costs between SHDC and WDBC</b>	<b>Caseload Information which has informed the shared services apportionment</b>
<b>Internal Audit</b>	Various and as per team member 80%/20% for both staff members	Time recording of productive time only	N/A – time recording
<b>Extended Leadership Team</b>	Various splits of individual posts, some 50%/50% and some 60%/40%	Time allocation	N/A
<b>Senior Leadership Team</b>	All 50%/50% with the exception of the Group Manager for Commercial Services (60%/40%)	Time allocation	N/A

Report to: **Audit Committee**  
Date: **22 March 2018**  
Title: **Sundry Debt**  
Portfolio Area: **Support Services – Councillor S Wright**  
  
Wards Affected: **ALL**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: Sonia Powell Role: Case Management Manager

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**Recommendations:**

**That the Audit Committee note the progress made in monitoring and administering Sundry Debt Collection.**

## **1. Executive summary**

The purpose of this report is to inform Members of the process adopted by the Council to recover outstanding sundry debt and provide an update on the position of Sundry Debt Recovery since the creation of the Debt Recovery Unit on 1<sup>st</sup> October 2017.

- 1.1 The Strategic Debt Review Update to 31<sup>st</sup> December 2017, was presented at Audit Committee 25<sup>th</sup> January 2018, Appendix D.
- 1.2 Improved monitoring and collection of Sundry Debt commenced in October 2017 with the creation of a Debt Recovery Unit as part of the restructured Case Management Team.
- 1.3 Recovery levels are much improved. Sundry debt levels were reported at £888.2k in August 2017 and £699.5k at the end of December 2017. The figure for end of February 2018 is £556k.

- 1.4 The accumulated debt level was due in part to an accumulation of aged debt which had not been written off.
- 1.5 Aspects of the Strategic Sundry Debt Recovery Plan are yet to be commenced, but are on target.

## **2. Background**

- 2.1 The Audit report to Committee on 21<sup>st</sup> September, 2017 (App. C) outlined the findings of the Strategic Debt Review and included an overview of the Debt Recovery Plan approved by SLT.

<http://mg.swdevon.gov.uk/documents/g508/Public%20reports%20pack%2021st-Sep-2017%2013.00%20South%20Hams%20Audit%20Committee.pdf?T=10>

- 2.2 The Audit Committee report on 25<sup>th</sup> January 2018 (App. D) reports the progress made in terms of approach to recovery and collection of debt, identifying outstanding debt at £699.5k, showing an improved position in the 4 month period of £188.7k.

<http://mg.swdevon.gov.uk/documents/g509/Public%20reports%20pack%2025th-Jan-2018%2014.00%20South%20Hams%20Audit%20Committee.pdf?T=10>

- 2.3 Work has been undertaken to identify Write offs for the 2017-18 financial year.
- 2.4 Money Claims Online/Interest Charging was also being investigated with a view to introduction in April 2018.

## **3. Outcomes/Outputs**

- 3.1 The one full time member of the team commenced in role on 2<sup>nd</sup> January 2018, additional support is provided by up to 6 other case managers as required.

- 3.2 By the end of February 2018 the outstanding debt was reduced by a further £144k to £556k, of which £190k accounts for only 2 debts, those being:

- A Defra invoice dated January 2018, we have been advised payment will be made before the end of the month.
- An invoice for a S106 contribution, awaiting completion on sale of the property, regular monitoring of the position is undertaken.
- Eight other debts account for £84k of the total outstanding debt. Each of which is now either subject to payment arrangements, under dispute or identified for inclusion on the April Money Online Claim listing.

- 3.3 Debt which has been identified for Write Off before the 31 March 2018 year end will be considered by the Senior Leadership Team on 14<sup>th</sup> March. A verbal update will be provided at the meeting. The majority of debt identified for write off relates to uncollectable or aged debt. Any debts over £5,000 will be subject to approval of Executive in 2018-19 and would be fully provided for in the year end debt provision.

- 3.4 Withdrawal of services has commenced in two areas;
- Assets – Four business units have been taken back as a result of non-payment and/or bankruptcy. Various other properties have been identified for similar action to be taken.
  - Trade Waste – withdrawal of services has resulted in an increase in debt recovery. Much work will be saved here when we move across to annual billing.
- 3.5 It is expected that additional Write Offs will be identified for action in 2018/19 and aged Write Offs will up to date by the end of Quarter 2 in 2018/19.
- 3.6 A full review of the debt recovery process has taken place resulting in a recommended shortened recovery period, to commence from 1<sup>st</sup> April 2018;
- 1<sup>st</sup> reminder from 21 days to 14 days
  - Final Notice from 35 days to 28 days
  - Legal Notice from 49 days to 35 days
  - No response after 7 days issue Court claim via Money Claims Online (for all debts up to £100k).
  - All debts over £5k chased by telephone throughout the recovery period.
- 3.7 Use of Money Claim Online is targeted for full commencement from 1<sup>st</sup> April 2018. A test case relating to a Commercial services debt is currently being actioned via the Court Claims system and a list is being prepared for a bulk claim during the first week of April 2018.

#### **4. Options available and Consideration of Risk**

4.1 The addition of Statutory Interest can be added to the outstanding sum via the Money Claim Online process. Charging is based on how many days late payment is made and at the published Government rate <https://www.gov.uk/late-commercial-payments-interest-debt-recovery/charging-interest-commercial-debt>.

4.2 Late Recovery Fees can also be added to each claim as allowed within Government guidelines, again this is incorporated within the Court Process. The amounts set by Late Payment Legislation are:

- Up to £999.99, charge £40.
- £1000 to £9,999, charge £70.
- £10,000 or more, charge £100.

#### **5. Proposed Way Forward**

5.1 That the Committee acknowledge the progress made in the area of Sundry Debt Collection and endorse the addition of Statutory Interest and Late Recovery Fee charging for all Court Claims.

## 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The guidelines for Statutory Interest Charging and adding recovery costs falls under the European Directive 2011/7/EU on Combating Late Payment in Commercial Transactions. Enforcing successful legal action for recovery of debt is dependent upon a robust system of ensuring correct business names are recorded within our systems.
Financial	Y	Improved income collection, resulting in less impact of uncollectable debt on the Income and Expenditure Account, due to fewer write offs.
Risk	Y	There remains a risk of income not being collected. The Debt Recovery Plan approved will seek to minimise this. The latest update report sets out the progress made in terms of approach to recovery and collection of debt and shows an improved position.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	N/a
Safeguarding	N	N/a
Community Safety, Crime and Disorder	N	N/a
Health, Safety and Wellbeing	N	N/a
Other implications	N	none

### Background Papers

Audit Committee 25<sup>th</sup> January 2018 - Strategic Debt Review

Report to: **Audit Committee**  
Date: **22 March 2018**  
Title: **Housing Benefit Overpayment process and Recovery**  
Portfolio Area: **Customer First – Cllr Bastone**

Wards Affected: **All**

Relevant Scrutiny Committee: Overview and Scrutiny Panel

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken:  
(e.g. referral on of recommendation or implementation of substantive decision)

Author: **Lorraine Mullineaux** Role: **Senior Benefit Specialist**

Contact: [Lorraine.mullineaux@swdevon.gov.uk](mailto:Lorraine.mullineaux@swdevon.gov.uk) **01803 861342**

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**Recommendations:**

**That the Audit Committee notes**

- 1. How a Housing Benefit overpayment arises;**
- 2. Steps taken to recover overpayments; and**
- 3. Current Housing Benefit overpayment recovery performance.**

## **1. Executive summary**

This report explains how Housing Benefit overpayments arise, the processes the Council goes through to recover the debts before they are presented for write off, and the financial impact on the LA. The Authority has the power to recover overpayments of Housing Benefit under the Housing Benefit Regulations 2006 and the Housing Benefit (Persons who have attained the age of state pension credit) Regulations 2006.

## **2. Background**



- 2.1 Dealing with overpayments, their identification, calculation and recovery, is a complex and important area of Housing Benefit decision making.
- 2.2 Important, because of the detailed financial arrangements surrounding overpayments, the increasing priority given identifying overpayments and preventing fraud and error, and the resulting effects on subsidy income to the LA.
- 2.3 Complex, because the detailed regulations which apply to the decision making process. The sequence in which those regulations must be considered and the number of decisions of the Courts and The Appeals Service. These define the approach to the interpretation and application of those regulations.
- 2.4 As a direct result of recent initiative schemes from the Department for Work and Pensions such as the Real Time Information (RTI) the stock of housing benefit debt held by LAs is now over £1.9 billion.
- 2.5 April 16 – April 17 showed £677 million of recoveries (from all recovery methods), the amount of newly identified overpayments in the same period was £960 million.
- 2.6 An overpayment of housing benefit is defined as ‘any amount paid to which there is no entitlement under the regulations’ and can occur as a result of:
  - a) Claimant error or fraud when making a new claim;
  - b) Claimant error or fraud because the claimant fails to notify us about a change in their circumstances;
  - c) Local authority error, i.e. a mistake made by LA staff;
  - d) An administrative delay, e.g. a delay by the LA in processing a notified change in circumstances;
  - e) DWP error e.g. the jobcentre plus, pension service, or disability and carers service make a mistaken award of JSA(IB)/ESA(IR), pension credit or income support;
  - f) Third party error, e.g. landlord in receipt of Housing Benefit gives the Local Authority incorrect information about a rent increase or fails to tell us information about their tenant.
- 2.7 Housing benefit then continues to be paid using the incorrect information. Once the Council has been notified with the correct information, the claim is updated, this will generate an overpayment on our systems.
- 2.8 Officers indexing and taking change in circumstances over the phone will suspend claims wherever possible to avoid any unnecessary overpayments being created.
- 2.9 Once an overpayment has been created the officer has to;

- establish the cause;
- determine whether or not the overpayment is recoverable;
- determine who to recover it from;
- provide the affected parties with the required information;
- decide the method of recovery;
- ensure the overpayments has been correctly classified to claim the correct amount of subsidy from central government.

2.10 In all cases if officers believe that the customer would have been aware that the change would impact their benefit, the overpaid money can be recovered, for instance if their wages increase and they don't notify us, this would be classed as claimant error and would therefore be recoverable.

2.11 If the overpayment was created as a result of a delay in processing the change by the LA, this would be classed as Local Authority Error (Admin Delay) but is still recoverable, as the claimant would be aware that the change would impact their entitlement.

2.12 Housing Benefit overpayments are not recoverable if they arose due to an official error by the LA and the claimant could not reasonably have been expected to know that they were being overpaid. In this instance the overpayment would not be pursued it would be passed for write off.

2.13 In certain circumstances official overpayments can still be recoverable, this is where we consider the claimant could reasonably have been aware that they were being overpaid due to a mistake, for example where we input their earned income as a monthly figure rather than weekly.

2.14 When overpayments are created, officers will look for ways to reduce the amount of the overpayment by using circumstances such as underlying entitlement.

**2.15 Examples where the Council would recover the overpayment are:**

2.15.1 DWP benefits end due to the claimant starting work and we do not get notification from DWP until after the change and the customer also fails to tell us.

2.15.2 Claimants earnings increase and the claimant fails to notify us.

**2.16 Examples where the Council would not recover and therefore pass for write off are:**

2.16.1 If the overpayment is created as a result of the LA's error and it was considered unfair or not in the interests of the Council to pursue.

2.16.2 If the overpayment is created as a result of an error by the DWP.

2.16.3 If the debt is over 6 years old and has had no recovery action made on it during that time we would look to write off the debt. We would only do this once all other avenues have been exhausted – this is in line with the Council's policy and guidelines.

2.16.4 Customers have the right of appeal and all requests are considered and any information looked at that is subsequently provided. The whole claim would be reviewed again to double check the overpayment was correct and take into account any extenuating circumstances that may have contributed to the overpayment.

2.16.5 Each case is considered on its own merits and we would always take into consideration a customer's circumstances and look at issues such as vulnerability and the customer's ability to afford the repayments.

### **3. How Housing Benefit Overpayment is calculated.**

3.1 The total Housing Benefit overpayments created so far this financial year is £926,343

- Claimant error = £840,791 subsidy at 40% (£336,316) has been claimed for this.
- Local Authority and Admin Delay error = £77,686, 100% subsidy claimed. (This is below the Government threshold)
- Department for Work and Pension error = £7,866, 100% subsidy claimed.
- Total amount of subsidy claimed so far this year is £324,227

3.2 For Local Authority and Admin Delay error (LAE) overpayments the LA can claim either 100%, 40% or nil depending on certain thresholds. The amount of subsidy the LA can claim depends on the amount of LAE overpayments as a % of the council's annual expenditure;

- if the overpayment is less than 0.48% of the council's annual expenditure 100% subsidy is paid
- if the amount is more than 0.48% but less than 0.54% 40% is paid
- if the amount is over 0.54% no subsidy is paid on any of the LAE overpayment.

3.3 At this stage in the financial year the position is as follows;

- The Councils overall expenditure is currently £18,670,611
- Lower threshold is £89,619
- Upper threshold is £100,821
- So any overpayment below £89,619 will attract 100% subsidy
- Anything between the £89,619 and £100,821 will attract 40% subsidy

- Anything above £100,821 will attract nil subsidy.

#### **4. How the council recovers Housing benefit overpayment.**

- 4.1 If an overpayment is deemed recoverable firstly we would look to recover the overpayment from their ongoing housing benefit entitlement.
- 4.2 The claimants who aren't in employment the current recovery rate are £11.10 or £18.50 if the overpayment is a result of fraud.
- 4.3 For claimants in employment we can increase the above amounts to include ½ of their income disregard, affordability criteria will be taken into account.
- 4.4 If they no longer qualify for housing benefit an invoice is raised and sent to the customer. The customer is given the option of paying by website, internet or telephone banking, debit or credit cards and the Council offer to make arrangements to pay weekly or monthly to clear the outstanding balance depending on the customer's circumstances.
- 4.5 If no response is received within 28 days, a reminder is sent. These are raised automatically by our systems.
- 4.6 For overpayments where we seek to recover from the landlord we can either recover from their next housing benefit payment, or if they don't have many tenants or no longer receive enough housing benefit we would invoice them as above.
- 4.7 Following the reminder stage if we still haven't received any repayment the officer will make checks on the account and select the best course of action.
- 4.8 **These include:**
  - An attachment of benefit – This depends on whether the customer is a current claimant and whether or not they already have attachment in force. Officers request the deduction from the DWP and they decide how much to deduct.
  - An attachment of earnings – This can be effective for those claimants now in paid employment.
  - If the claimant has moved out of area and is still claiming benefits, officers can request that their Local Authority collect the debt on our behalf.
- 4.9 If a customer moves address officers have access to tracing software to help with locating them.

- 4.10 When all avenues are exhausted the Council would consider whether the debt should be written off. Other scenarios when the debt would be written off is when the claimant has gone bankrupt, applied for a debt relief order, has a very small balance which is not cost effective to pursue or where the claimant is considered to be vulnerable.
- 4.11 Even after a debt has been written off, if that customer's circumstances change or new information comes to light, officers are able to write the debt back on to the system and collect the outstanding debt.
- 4.12 On average there are 2 officers who spend 20 hours per week (for both authorities combined) collecting the outstanding Housing Benefit Overpayments. Depending on other workloads within the team officers would then carry out a review of debts that need might need putting forward for write off.

## **5. Performance**

- 5.1 The total amount of overpayments recovered so far this year is £761,381
- 5.2 Total amount written off so far this year is £185,715. These are reported to the Executive quarterly through the write off reports and any debts over £5,000 are submitted to the Executive for a recommendation to write off.
- 5.3 The amounts recovered and written off do not necessarily apply to the last financial year.
- 5.4 The write off amount is unusually high due to a recent data cleansing exercise.
- 5.5 As at the 1<sup>st</sup> March 2018 our total outstanding debt is £1,035,243, this time last year (March 2017) the total was £1,016,009 this shows a slight increase of £19,234, however the amount of overpayments created this year is currently £926,343, as opposed to last year where we created £533,076 this shows an increase of £393,267.
- 5.6 The increase in overpayments created is due to the Department for Works and Pensions fraud and error initiative Real Time Information (RTI) that we voluntarily signed up to.
- 5.7 Real Time Information is a data matching service between Her Majesty's Revenue and Customs and the Department for Works and Pension
- 5.8 As part of the continued drive to reduce Housing Benefit fraud and error the Department for Works and Pension provided funding to

incentivise Local Authorities to target the highest fraud and error in Housing Benefit, namely 'earnings'.

- 5.9 The Local Authority receive monthly data matched reports from the Department for Works and Pension highlighting claimants that have failed to notify a significant increase/decrease in their earnings.

## 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Authority has the power to recover overpayments of Housing Benefit under the Housing Benefit Regulations 2006 and the Housing Benefit (Persons who have attained the age for state pension credit) Regulations 2006. However, the Authority has the power to use its discretion and treat each case individually on its own merits.</p>
Financial	Y	<p>The total Housing Benefit overpayments created in South Hams in the last financial year to date is £926,343</p> <p>The total amount recovered to date is £761,381</p> <p>Total amount written off to date is £185,715</p> <p>The amount of Subsidy claimed to date is £324,227</p> <p>The amounts recovered and written off do not necessarily apply to the last financial year.</p> <p>The write off amount is unusually high this year and that is due to a recent data cleansing exercise.</p>
Risk	Y	<p>Loss of income – uncollected Housing Benefit overpayments represent lost income to the Authority. Whilst all attempts are made to recover debts, in a climate of increasing austerity, it is becoming more difficult to do this.</p> <p>Reputation – Any risk to reputation is managed carefully by prompt recovery of amounts due wherever possible with due regard to an individual’s circumstances.</p> <p>Write Off – The risk of debtors subsequently being able to pay a debt which has been written off is mitigated by the ability to write debts back on to the system to be recovered if the means to do so is identified i.e. by the debtor falling back into entitlement to benefit. Individual debts over £5,000 are referred to Members for consideration prior to write off in accordance with Financial Regulations.</p>

Comprehensive Impact Assessment Implications		
Equality and Diversity		Due consideration needs to be given to each customers individual circumstances to ensure they are not disadvantaged in any way.
Safeguarding		There needs to be regard to the vulnerability of the customers that we deal with as part of the recovery process to ensure that they are protected.
Community Safety, Crime and Disorder		There are no crime and disorder considerations to this report.
Health, Safety and Wellbeing		There are no direct implications.
Other implications		None

### **Supporting Information**

#### **Appendices:**

None

#### **Background Papers:**

None



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Report to: **Audit Committee**  
Date: **22 March 2018**  
Title: **2018/19 Internal Audit Plan**  
Portfolio Area: **Support Services – Cllr S Wright**  
Wards Affected: **All**  
Relevant Scrutiny Committee: **Overview and Scrutiny Panel**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Dominic Measures** Role: **Audit Manager**  
**Robert Hutchins** **Head of Partnership**

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[Robert.hutchins@swdevon.gov.uk](mailto:Robert.hutchins@swdevon.gov.uk) **01392 383000**

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## **Recommendations:**

### **It is recommended that:**

- 1. The report be approved, and**
- 2. The proposed Internal Audit Plan for 2018/19 at Appendix A be approved.**

## **1. Executive summary**

- 1.1 The purpose of this report is to provide Members with the opportunity to review and comment upon the proposed internal audit plan for 2018/19.
- 1.2 Whilst South Hams District Council and West Devon Borough Council operate as two unique councils, services are delivered by one integrated organisation; to reflect that working arrangement, the 2018/19 audit plan is now presented as one combined plan. Where

there are risks or issues that relate specifically to one council and not the other, the audit plan will be varied to include those areas of work as appropriate.

- 1.3 The report provides information on the legislative requirement for local authorities to provide an Internal Audit (IA) service in accordance with the Accounts and Audit Regulations and Public Sector Internal Audit Standards; the need for an annual risk-based IA plan to be prepared; and the methodology of identifying the audit needs for the Authority.
- 1.4 The 2018/19 audit plan sets out the proposed audit resource allocated to each audit area, although the plan needs to remain flexible to be able to respond to any changing risks and priorities of the Authority given the significant changes across the public sector.

## **2. Background**

- 2.1 All principal Local Authorities, including South Hams District Council, are subject to the Accounts and Audit (England) Regulations 2015, which state:

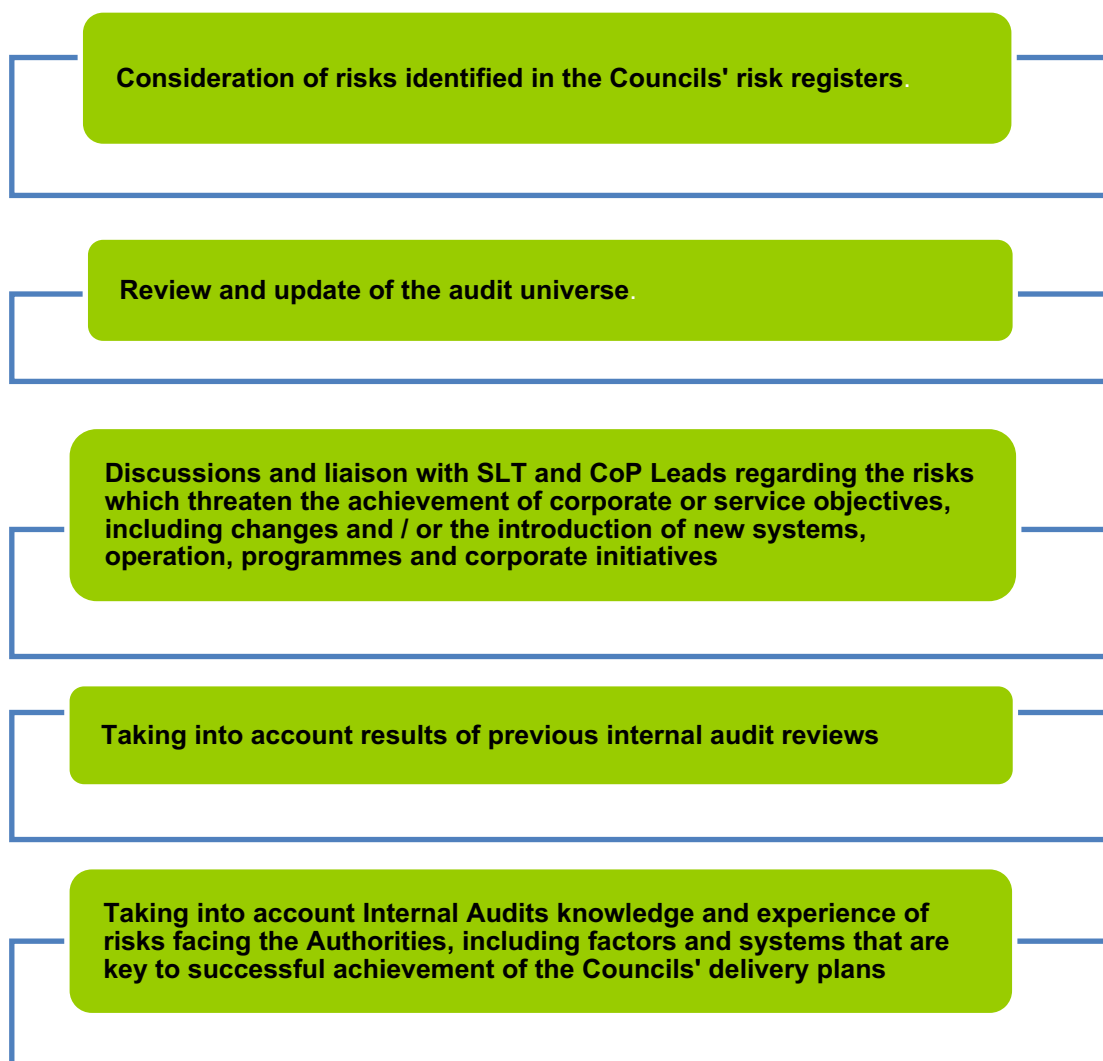
"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

- 2.2 The Public Sector Internal Audit Standards require that the Head of Internal Audit must "establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals". When completing these plans, the Head of Internal Audit should take account of the organisation's risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation's business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.
- 2.3 This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.

## **3. Outcomes/outputs**

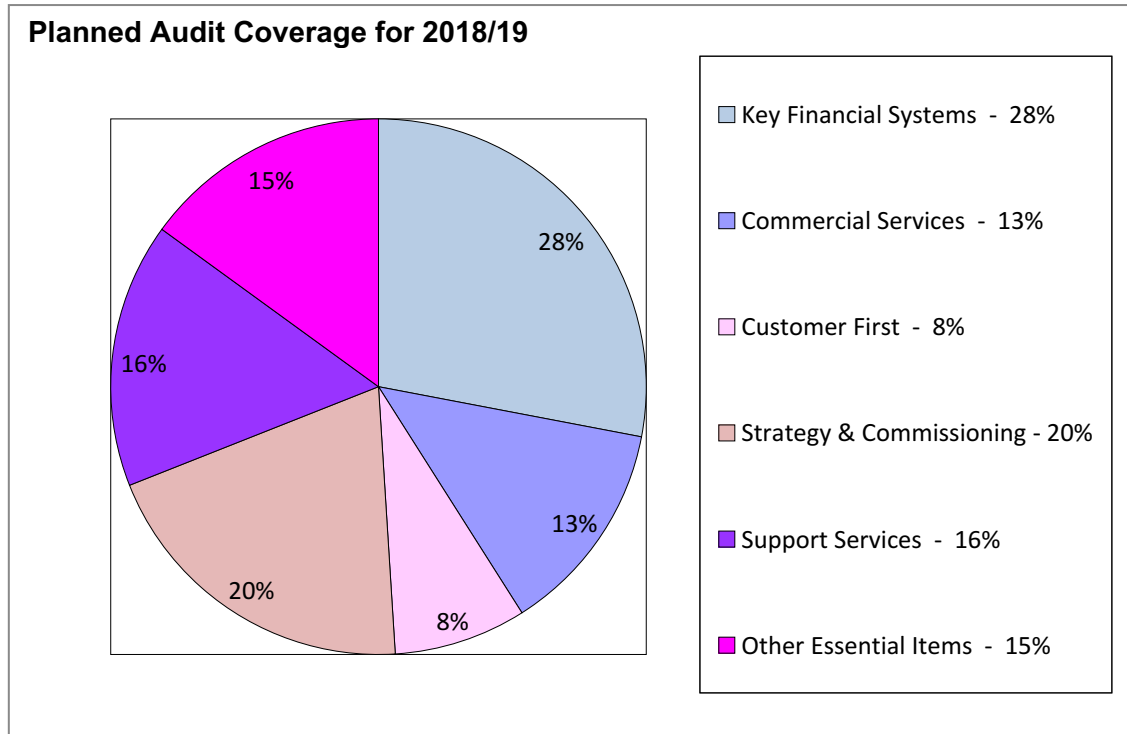
- 3.1 We employ a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the both South Hams District Council and West Devon Borough Council, known as the "Audit Universe" using a number of factors/criteria. The final score, or risk factor, for each area determines an initial schedule of priorities for audit attention.

The audit plan for 2018/19 has been created by:



3.2 The overall percentage of internal audit coverage proposed for each area of the audit plan is represented in the chart at figure 1 below. The combined planned audit coverage for 2018/19 totals 430 days, see Appendix A for the proposed detailed plan. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to remain flexible to be able to respond to the changing risks and priorities of the Authority with any changes reported back to this Committee. To provide for some flexibility, the Internal Audit Plan includes a small contingency to allow for unplanned work.

**Figure 1**



#### **4. Options available and consideration of risk**

4.1 No alternative approach has been considered as the failure to develop a risk-based plan to determine the priorities of internal audit activity which is consistent with the priorities of the organisation would be in contravention of the Public Sector Internal Audit Standards and the Accounts and Audit Regulations 2015.

#### **5. Proposed Way Forward**

5.1 We will be flexible in our approach to ensure that the audit plan continues to reflect the changing risks and corporate priorities of the Council with the timetabling of audits agreed with management to ensure our work is delivered at the most effective time for the organisation.

## 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

## **Supporting Information**

### **Appendices:**

There are no separate appendices to this report.

### **Background Papers:**

None.

### **Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
If exempt information, public (part 1) report also drafted. (Cabinet/Scrutiny)	<b>N/A</b>

## Appendix A

<b>Proposed 2018/19 Combined Audit Plan for South Hams District Council and West Devon Borough Council</b>		
	Priority/ Risk	Days
<b>KEY FINANCIAL SYSTEMS</b>		
Main Accounting System (inc budgetary control)	H	20
Payroll	H	15
Creditor (Payments)	M	15
Debtors (Income Collection)	M	15
Business Rates	M	15
Council Tax	M	15
Housing Benefits	M	15
Treasury Management	L	10
<b>KEY FINANCIAL SYSTEMS</b>		<b>120</b>
<b>COMMERCIAL SERVICES</b>		
Salcombe Harbour (S.Hams)	H	10
Dartmouth Lower Ferry (S.Hams)	H	8
Environmental Services – Enforcement Process (Fly Tipping, Abandoned Vehicles etc)	M	10
Grounds Maintenance Operations (inc control of bedding plants)	M	15
Depots & Stores (S.Hams) Follow Up	M	3
Environmental Services - Coastal Work (S.Hams) Follow-Up	M	3
Environmental Services – Beach and Water Safety	L	5
<b>COMMERCIAL SERVICES</b>		<b>54</b>
<b>CUSTOMER FIRST</b>		
Planning (Applications) – (Completion of 17/18 audit)	H	10
Housing - Homelessness	H	10
Section 106 agreements (follow up)	H	5
Environmental Services – Food Safety – Progress with Food Standards Agency Action Plan	M	5
Asset Management (deferred from 17/18)	M	5
<b>CUSTOMER FIRST</b>		<b>35</b>
<b>STRATEGY &amp; COMMISSIONING</b>		
Performance Management (KPI's & data quality) (deferred from 17/18)	M	15
Risk Management Follow-Up (deferred from 17/18)	M	10
Administration of Member Expenses (deferred from 17/18)	M	6
Procurement – Waste and Front Line Services	H	15
Commercialisation Strategy	H	10



Contract Management Strategy and Process	H	10
Contract Management – Leisure Contract	M	10
Business Continuity within the Supply Chain	M	8
Health & Safety Further Follow-Up	M	3
<b>STRATEGY &amp; COMMISSIONING</b>		<b>87</b>
<b>SUPPORT SERVICES</b>		
ICT Audit inc Incident Management, Change Management Follow-up, Asset Control	H	25
Corporate Information Management (GDPR compliance)	H	10
Cyber Security	H	6
Recharging	H	5
Business Continuity Follow-Up (inc BCP exercises)	H	5
Comments and Complaints	M	10
Review of Financial Regulations	M	5
Cash Collection	L	3
<b>SUPPORT SERVICES</b>		<b>69</b>
<b>OTHER ESSENTIAL ITEMS</b>		
Audit Management including:- - Audit planning, - Monitoring & reporting, - Audit Committee		28
Annual Governance Statement		2
Exemptions from Financial Regulations		5
Grants – LEAF and LAG		20
Contingency & Advice		10
<b>OTHER ESSENTIAL ITEMS</b>		<b>65</b>
<b>TOTAL AUDIT PLAN</b>		<b>430</b>

Report to: **Audit Committee**

Date: **22 March 2018**

Title: **Strategic Risk Assessment - Regular Update**

Portfolio Area: **Strategy & Commissioning**  
**Cllr Keith Wingate**

Wards Affected: **All**

Relevant Scrutiny Committee: **N/A**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **n/a**

Author: **Darren Arulvasagam** Role: **Business Development Group Manager**

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**01803 861222**

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**Recommendations:**

**That the Committee review the strategic risks and make recommendations to Council on any further action the Committee concludes should be considered.**

**1. Executive summary**

- 1.1. In accordance with the Joint Risk Management Policy adopted by South Hams District Council on 10<sup>th</sup> May 2012, this report forms the required six monthly update to Members.
- 1.2. The report includes the current corporate strategic risk assessment and a summary of the management and mitigating actions to address the identified risks.
- 1.3. During the year, the Devon Audit Partnership conducted a review into the Risk Management arrangements of the Council and noted them to be "working". They noted that a strong risk management culture was evident at lead member and senior leadership team level. The audit recommended a number of management actions, including a full review of the risk and opportunity management framework documents. This work will be completed during the next few months.

**2. Background**

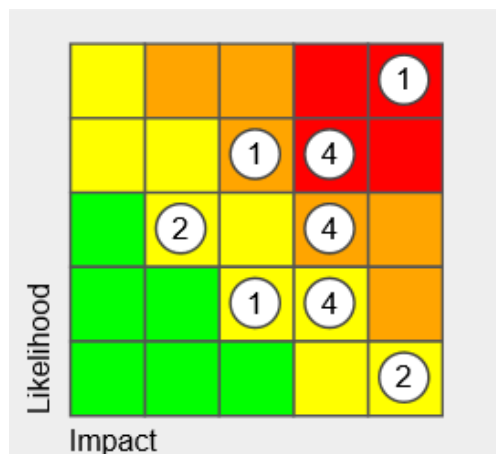
- 2.1. The Council at its meeting on 10 May 2012 resolved to adopt the Joint Risk Management Policy.

- 2.2. The Joint Risk Management Policy requires the Senior Leadership Team (SLT) to undertake reviews of the Corporate Risk Tables on a monthly 'light touch' basis and more comprehensively on a quarterly basis.
- 2.3. It also stipulates that a member of the Senior Leadership Team will provide update reports to the Audit Committee on a six monthly basis. This is the responsibility of the Business Development Group Manager.
- 2.4. During the year, the Devon Audit Partnership conducted a review into the Risk Management arrangements of the Council and noted them to be "working". They noted that a strong risk management culture was evident at lead member and senior leadership team level.

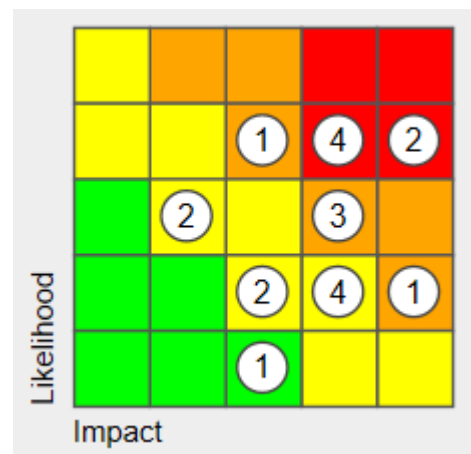
**3. Outcomes / Outputs**

- 3.1. The risks currently monitored by SLT are set out in Appendix 1.
- 3.2. The tables include a summary of mitigating and management actions undertaken or proposed, to manage the identified risks. Monitoring requires both a proactive approach to assessing potential risk, as well as carrying out retrospective reviews to improve learning from risk and embedding it across the two Councils.
- 3.3. Appended to the risk tables as Appendix 2 is the Risk Scoring Matrix which has been used to identify risk status. A risk rating is developed by assessing risk impact/severity and multiplying it by the likelihood / probability of the risk occurring. The risk score identified is the assessment based on the mitigation being successful.
- 3.4. Scoring is split to more clearly define the risk impact – with financial, legal/regulatory, health & safety, reputation, morale/staffing, service quality factors all being considered independently. To create a risk score, the likelihood is multiplied by the impact "worst child".
- 3.5. The heat map below illustrates the number of risks and where they appear on the 5 x 5 matrix, compared with the last review:

**Sept 2017**



**March 2018**



NB: The "2" showing in the right red matrix should read 1 – technical glitch!

#### 4. Options available and consideration of risk

- 4.1. The tables are living documents and will regularly change in response to issues arising.
- 4.2. Members should note that while risk is assessed collectively within SLT, the judgements in relation to the scores are inevitably subjective and Member challenge of the officer conclusions is therefore welcomed.

#### 5. Proposed Way Forward

- 5.1. It is suggested that the Committee’s attention is focussed on those risks with the highest score i.e. the risks with a score of 16 and over.
- 5.2. While Members are invited to focus on the key risks, Members are welcome to review any of the risks identified, including questioning whether the risk is appropriately scored, or whether further detail around the risk or the proposed mitigating actions is required.
- 5.3. In the next review period, officers will be reviewing the findings of the Devon Audit Partnership review into the risk and opportunity management review and completing the management actions recommended, including a full review of the risk and opportunity management framework documents.

#### 6. Implications

Implications	Relevant to proposals	Details and proposed measures to address
Legal / Governance	Y	The Audit Committee has a role in keeping under review and recommending to Council improvements in relation to effective risk management.  There are no direct legal implications arising from the report although a strategic focus on risk management is good practice. Any specific legal implications are considered in individual risk assessments.
Financial	Y	There are no direct financial implications arising from the report, although effective corporate risk management may help protect the Council from budget variances.
Risk	Y	Members should note that while risk is assessed collectively within SLT, the judgements in relation to the scores are inevitably subjective and Member challenge of the officer conclusions is therefore welcomed.
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity	N	Factored into individual risk assessments where appropriate. Equalities Impact Review of the Risk Management Policy in place.
Safeguarding	N	Factored into individual risk assessments where appropriate.
Community Safety, Crime and Disorder	N	Factored into individual risk assessments where appropriate.
Health, Safety and Wellbeing	N	Factored into individual risk assessments where appropriate.

Other implications	N	N/A
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**Supporting Information**

**Appendices:**

Appendix 1: Corporate Risk Report

Appendix 2: Risk Scoring Matrix

**Background Papers:**

- Joint Risk Management Policy

**Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off	<b>Yes</b>
Data protection issues considered	<b>Yes</b>

Appendix 1 - SHWD Corporate Risk Report - March 2018

#	Risk Title	Description	What is (are the) Uncertainties	Likelihood	Financial	Service Quality	Reputation	Legal/Regulatory	Health & Safety	Morale/Staffing	Risk Score	Mitigating Actions / Internal Controls	Latest Note
1	SHDC Adherence to Medium Term Financial Strategy (MTFS), due to changes in Government Policy and/or Income Streams	Failure to sustain a robust on-going medium term financial strategy in SHDC with adequate reserves to meet unforeseen circumstances, due to cost pressures and reduced income targets, council decisions, changes in Government policy with regard to business rates and affordable housing; Potential impact on delivering the MTFS, particularly if national/regional businesses successfully appeal against business rate valuations	Reduction in Government grant, increasing demand for services and other cost pressures and increased risks associated with localised business rates and council tax support. Additionally, income from activities may not materialise or may be reduced, e.g. business rate appeals or a reduction in the commercial property market. The amount of income received can be adversely affected by a fall in collection rates due to economic downturn and other factors such as the bankruptcy/liquidation of large ratepayers or any sizeable rateable value reductions achieved by business rated properties in the area. Business rate pilot - 75% local business rate retention of growth above baseline, is confirmed for one year only and subject to consultation, so impact on LAs in unclear.	4	5	4	4	4	2	4	20	Robust horizon scanning to monitor changes in Government policy. SLT awareness of the risks, cautious approach to budgeting and robust systems of financial control. The Council are not intending to rely heavily on sources of income which may not be sustainable. SLT actively participate in Government consultations, MP discussions and keep aware of changes and the response by peer group, ensuring where appropriate the learning from this is incorporated into strategic plans. SLT engaged in the development of the MTFS. Latest budget reports approved by both Councils in February 2018 after member workshops in October 2017 and result of the 2018/19 Local Government Finance Settlement being announced.	Slightly improved position for both Councils due to successful bid for Business Rates Pilot and additional Rural Services Grant funding being awarded. Due to the level of shared service working, the financial positions of both Councils have a level of interdependency on each other. Member Financial Stability Group formed in WDBC, report to Hub over initiatives to pursue due 13 March 2018. Each Council is addressing how it will meet its budget gap going forward, through an updated medium term financial strategy (due Spring 2018) and Corporate Strategy and linked initiatives.
2	Data Protection	Failure to control the appropriate use of data and unauthorised access.	To manage the risk of non compliance with Cabinet Office PSN CoCo, PCI DSS, GDPR, Data Protection Act, RIPA, Human Rights Act.	4	3	3	4	4	1	2	16	DPO now named and is member of SLT. Information Security Policy; All employees responsible for adequacy of data security arrangements within their control. Access to electronic data is only available via council managed devices. Look out for advice from the Information Commissioners office. Compliance with relevant PSN CoCo through implementation of security changes required. All staff have been and new starters will be completing a data protection awareness course in via the Council's new eLearning tool.	Data Protection Officer in position and received accredited training in Feb 2018. Work continuing to increase awareness and address gaps to ensure compliance
3	Governance: Adherence to Council policies & processes and Government guidelines	Failure to maintain effective Corporate Governance arrangements. Failure to manage/enforce s106 conditions. Ombudsman complaints could lead to finding of maladministration due to management of issues, e.g. poor record keeping; time to resolve issues or meet imposed timelines; reputational damage. Failure to meet current and changing needs of customers and to manage customer feedback. There is a risk of failure to respond to changes and to recognise external influences such as changes in government policy; Risks of losing JRs, appeals and Ombudsman rulings	To maintain effective Member standards and develop new Council Constitution. To continue to raise awareness of the risk of fraud and the implications of the Bribery Act 2010. To ensure that there is on-going review and self assessment of the effectiveness of governance arrangements within the Council. T18 programme rollout saw service levels reduce but these have now recovered	4	3	3	4	4	3	3	16	Promotion of necessary policies via staff intranet. Reviewed and implemented new Council constitution. To provide necessary Annual governance self assessment review by both ELT and SLT. Audit Committee established with wider terms of reference. External reviews including the Council's external auditors. Appropriate committee monitoring. Service based risk assessments and action plans, with a particular focus on high risk service activity. Training & Development plans being developed. Policies for H&S and wellbeing and lone working all being updated. Work underway in respect of data protection / GDPR readiness and audit completed. Stat officers panel set up and meeting qtrly. Internal audit programme of work confirmed for 17/18.	Resource in place to monitor and manage s106s. Organisation wide project board in place to manage implementation of projects, to approved PM principles. Regular Statutory Officers Group & Information Governance meetings. RIPA training undertaken for key staff. Policies / Key Strategies being reviewed by CoPs with consultation where appropriate.
4	Delivery of local plan (Inc. 5 Year Land Supply)	Risk of speculative development without a 5 year land supply in SH & WD, following recent planning appeal losses. Risk of designation in relation to Development Management & local plan across both councils.	Lack of detail / contingency around 5 year land supply until the joint local plan is completed.	4	4	2	3	3	2	16	JLP Submitted to PINS for examination, but more work required on evidence base for housing need assessment.	Scores updated after SLT review. JLP now in examination phase. Recent planning appeal lost in WD.	
5	Political commitment for change	On-going political commitment to support changes needed for ongoing financial sustainability & community resilience	Considerable external change with devolution and Governmental funding cuts; leading to uncertainty within the South West and beyond.	4	4	3	4	4	1	4	16	Regular leader & deputy meetings. JSG meetings held monthly. Regular surgery and informal sessions for wider membership.	JSG and Joint Leaders meetings suspended Nov 17, Corporate strategy now being agreed separately but does have linkages. JLP process continuing

#	Risk Title	Description	What is (are the) Uncertainties	Likelihood	Financial	Service Quality	Reputation	Legal/Regulatory	Health & Safety	Morale/Staffing	Risk Score	Mitigating Actions / Internal Controls	Latest Note
6	Service Performance	Any service failure or degradation of service impacts on the customer, which then impacts on all areas of the council and members	Lack of appropriate resources due to current interim vacancies; ongoing transformation programme specifically IT and process implementation is not yet complete. These two combined have affected our ability to deliver appropriately on occasion. This pressure was increased due to county and general elections in 2017	3	3	4	4	3	2	4	12	Getting it right the first time, getting back to people appropriately and more timely. Better channel recognition to clear responses. Keep better records. Appropriate resources in the right places. Plan to commence measuring customer satisfaction during 17/18. Increased customer engagement; new complaints policy in place. Ongoing review of internal and external policies.	Performance indicators are showing steady improvements across the board.
7	Business Continuity	Officers fail to develop robust processes to ensure business continuity in the event of a significant event occurring, e.g. Failure to ensure the continuous availability of critical IT systems	Following the event, how quickly will certain systems and processes be able to be back on-line	3	3	4	4	2	3	3	12	Having two HQ locations is main mitigating factor - however an outage of power/ICT at either location would lead to a serious disruption of service. Agile working further reduces reliance on two office buildings. Locality workers can be despatched more easily to ensure customer engagement can be maintained during any incident. Business Continuity plans have been updated - priority areas - ICT Networking - Payroll & Creditors Payments; other plans need to be made more robust	Resilience tested during recent extreme weather. Agile working very successful with no loss of service from agile workers despite closure of both offices. Benefits run was completed remotely.
8	Emergency Response, e.g. Coastal Erosion / Storm Damage / Flooding	There is high public expectation in relation to supporting communities during coastal erosion/storm damage/flooding events, as well as engagement in longer term recovery, in particular assumptions about capital investment to restore assets. The risk relates to how best to support dispersed communities, e.g. with filling, transporting and laying sandbags as well as providing workforce on site, given limited resources and expectations during an event.	Following the event, the expectation that coastal defences and asset repairs will be urgently undertaken despite competing claims on capital resources	4	3	2	3	1	3	1	12	Continued management and officer focus on this area to ensure risk is minimised as much as possible; continued close engagement work with DCC and Environment Agency to ensure all parties are aware of each others responsibilities and capacity	Recent heavy snow and storm Emma has shown that response processes work. Now in clean-up phase. Damage to Slapton Line / Torr Cross defences in SHDC.
9	Inadequate Staffing Resources	Failure to have sufficient staffing arrangements. Loss of staff morale, and inadequate resources for training and re-skilling in an ongoing period of change. Failure to engage staff resulting in uncertainty regarding changes in working practices and job security. Particular risk in relation to future terms and conditions. Cost and time of retraining/up-skilling staff. Unrealistic expectations in relation to staffing capacity.	Performance being reviewed to understand whether resourcing levels are correct; difficult to assess accurately as organisation continues to experience change effects and processes being embedded / roll-out of new technology and working practices	3	3	3	3	2	2	4	12	Transitional resource & monitoring arrangements put in place. Staffing arrangements and GAP analysis completed in 16/17. Staff forum embedded; continued SLT engagement with unions and regular staff comms sessions held. Other comms media under review and several improvements made. Staff satisfaction survey re-run in April '17, actions and review underway. Mechanism in place for ELT to appoint within budget where appropriate without recourse to SLT. Apprenticeship scheme being developed by HR.	Likelihood reduced due the fact that transition resources have and continue to be gradually phased out. The only main are of concern Planning has been addressed by increased planning income which is funding additional permanent roles across case management and specialists.
10	Inadequate asset maintenance	Failure to maintain all Council owned assets and buildings (including fleet).	To manage the health and safety risks of customers and staff and to ensure budgets are managed effectively to maintain assets to a satisfactory standard. To consider and manage the risk of redundant properties / assets.	2	3						10	Effective budget monitoring, sound management of assets/ buildings including a planned maintenance approach along with planned capital expenditure programme. Risk assessments and regular health and safety inspections.	Ongoing programme of Asset Management Review to assist with the risk assessment in respect of the maintenance of all Council assets SH: Currently undertaking review of DLF assets to ensure full compliance / best practice.

#	Risk Title	Description	What is (are the) Uncertainties	Likelihood	Financial	Service Quality	Reputation	Legal/Regulatory	Health & Safety	Morale/Staffing	Risk Score	Mitigating Actions / Internal Controls	Latest Note
11	Contractor Failure	Failure to manage a major failure of a significant council contractor including, any significant related industrial relations issues.	Contingency plans if contractor were to fail; affect on service delivery	2	3	4	3	2	2	3	8	Good contract and people management, effective Contract Team, use of shared procurement expertise, more frequent credit checks (including parent companies), requirement for bonds where appropriate.	Managed service agreement agreed with FCC in WD running to April 2019. Fusion leisure contract across both districts now in 2nd year - refurbishment and development improvements underway. Temp procurement officer in place; work underway to find longer term solution.
12	Health & Safety	Failure to manage the health, safety and welfare of the public, visitors and staff. Key consideration in relation to number of external frontline staff, including lone workers.	High impact on service delivery resulting in resources / services being unavailable for long periods	2	4	3	4	4	4	3	8	Safe working environment, policies and procedures, e.g. fire safety policy, travel at work policy, IIP, PDRs. Revised sickness absence policy, health and other wellbeing initiatives. Awareness of appropriate legislation e.g. Corporate Manslaughter Act, Equalities Act. Up-to-date corporate Health & Safety Policy/procedures	H&S CoP driving improvement programme that requires commitment from all areas and appropriate monitoring by SLT.
13	Safeguarding	Council and/ or contractors fail to adhere to meet safeguarding obligations as set out in legislation such as Children Act 2004 section 11.	Do staff, members and contractors know what is required and how to react?	2	3	2	4	3	3	3	8	Policies in place and key staff & management have received appropriate training and contact details to spot and report safeguarding issues	ALL staff have now received training through staff briefings.
14	Procurement	The risk is that we don't follow procurement procedures. A number of contracts to be let by the Council over the next 2 year period which will be in excess of the EU procurement thresholds.	There are a number of contracts to be let by the Council over the next 2 year period which will be in excess of the EU procurement thresholds. These will require specialist input and project teams to ensure best value for money is achieved. Current level of procurement competence is unknown	2	4	3	3	3	2	2	8	The procurement elements required should be captured and prioritised within the service planning exercise being carried out currently. It is important therefore that the project mgmt of major procurements is robust. Dedicated resources have been recruited to ensure this is done.	Work underway to recruit permanent procurement support (shared with Teignbridge) as current resource is on interim basis
15	T18 Benefits Not Delivered	Failure to deliver sustained benefits from the T18 Programme; Risk of new systems not being fit for purpose during transfer and then for BAU; Capacity risk once additional resources exhausted?	Poorly executed delivery could affect quality of customer service; timescales to complete routine tasks and an increase in complaints. Staff moral and reputation can be affected.	2	2	3	3	1	1	3	6	Regular SLT and member scrutiny over T18 roll-out; T18 programme being managed closely; currently within budget. Regular monitoring reports to Members.	T18 programme being closed down following successful implementation. Lessons learned report completed. T18 was within budget when Programme closed down.
16	External Fraud	Fraud, financial impropriety or improper business practises anywhere against the organisation	Fraud could occur anywhere against the organisation; but the likely impact is limited due to existing management controls	3	2						6	Audit has highlighted generally ok. Management to remain vigilant; random spot checks where appropriate (e.g. expense claim forms)	Audit has highlighted generally ok - monitor through internal audit process. Management to remain vigilant; random spot checks where appropriate
17	Internal Fraud	Fraud, financial impropriety or improper business practises anywhere in organisation	Fraud could occur anywhere throughout the organisation; but the likely impact is limited due to existing management controls	3	2						6	Audit has highlighted generally ok. Management to remain vigilant; random spot checks where appropriate (e.g. expense claim forms)	Control on this will form part of any competitive dialogue process that may arise as a result of Council decisions re frontline services
18	Financial Systems & Budget Monitoring	Financial Systems & Budget Monitoring	Can the current system, use of the system and our financial processes support transforming the way we manage our budgets and financial reporting. There is a risk that any changes could jeopardise year end processes.	2	3	1	2	2	1	2	6	Temporary resource has been brought in to drive process changes and recommend & implement changes to our set up of the financial system. S151 & CoP lead role now dis-aggregated, to provide more focus and resilience on each aspect. We are engaging with the system provider to review our system set-up through a process known as Assessment of Current Use (AoCU)	Greater visibility of financials by budget holders. Training and information shared by finance CoP
19	Accounts not being published by the legal deadline due to earlier closedown timetable	There is a requirement that closedown of 17/18 accounts be brought forward 4 weeks to end of May 2018. The risk is that resourcing within the finance COP prevents closedown by the new government deadline.	Whether the new timetable is achievable for the existing team.	1	3	1	3	3	3	3	3	Finance COP will do mini-close as at end Sept 2017 by end Nov 2017 to enable faster closedown at year end. Structural changes to split s151 and finance COP has enabled more focus on operational duties.	Finance has an early closedown timetable in place to ensure that the new timescales are met.



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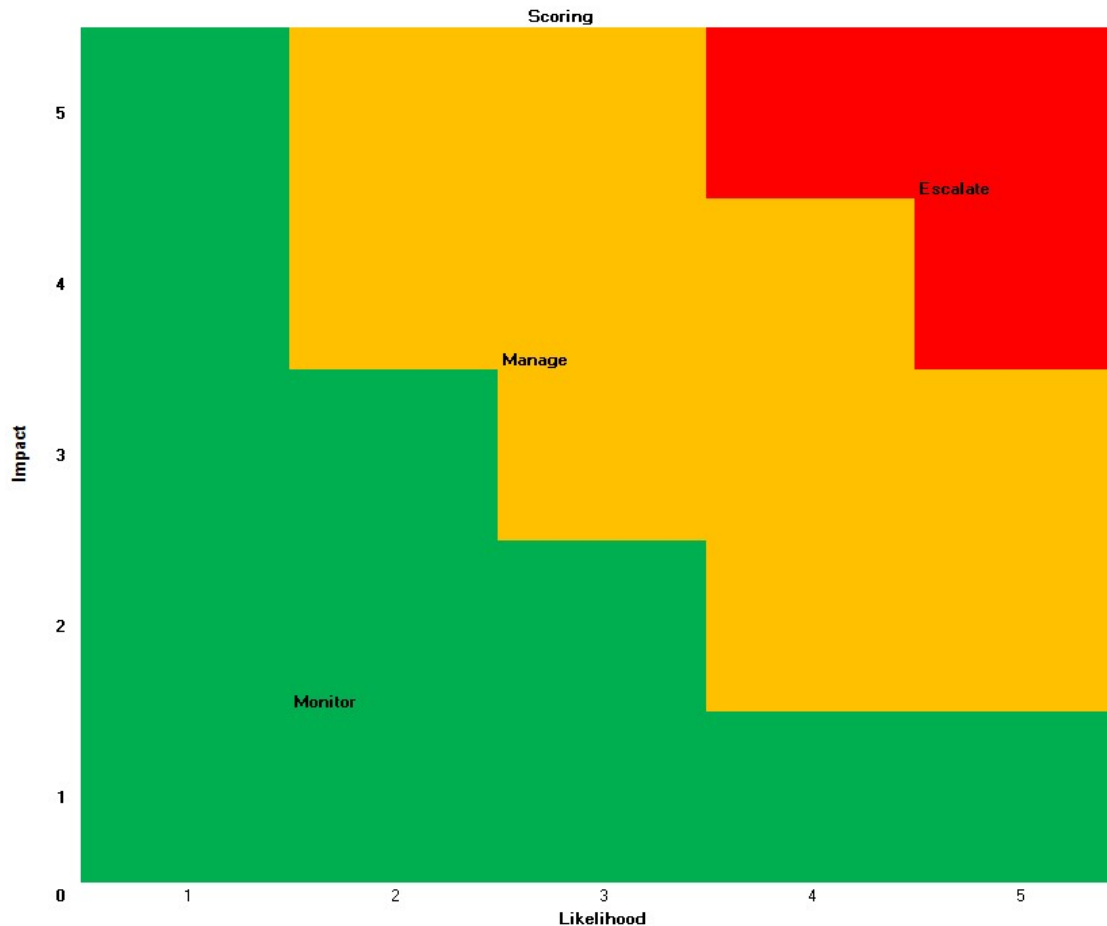
**Appendix 2 - Risk Scoring Matrix**

#	Likelihood	Impact
1	Unlikely to occur under normal circumstances	Financial: Financial loss of less than £10k Service Quality: Drop in performance or delays to a process or temporary loss of an access route to a service Reputation: Limited local interest, single story Legal/Regulatory: Not reportable to regulator/Ombudsman, simple fix Health & Safety: Minor first aid required Morale/Staffing: Isolated staff dissatisfaction
2	Potential to occur however likelihood remain low	Financial: Financial loss of between £10k & £100k Service Quality: Drop in performance or delays to a service area or sustained loss of access routes for services Reputation: Local or 'industry' interest, single story over multiple news outlets Legal/Regulatory: Reportable to regulator/Ombudsman, no or little follow up needed Health & Safety: Minor injuries to employees or third parties Morale/Staffing: Pockets of staff morale problems and increased turnover
3	Likely to occur	Financial: Financial loss of between £100k & £500k Service Quality: Drop in performance or delays to delivering a wide range of services Reputation: Short term negative media exposure Legal/Regulatory: Regulator/Ombudsman report with immediate correction to be implemented, or risk of prosecution Health & Safety: Simple 'medical professional' type care for employees or third parties, e.g. GP visit, minor injuries unit visit Morale/Staffing: General staff morale problems and increased turnover
4	Most likely to occur	Financial: Financial loss of between £500k & £1Mill Service Quality: Major drop in performance or inability to deliver discretionary services Reputation: Sustained negative media coverage, or South West or 'affected industry' publication exposure Legal/Regulatory: Regulator/Ombudsman report requiring major project to correct or prosecution with fines, etc. Health & Safety: Limited hospital care required for employees or third parties Morale/Staffing: Widespread morale problems and high turnover. Not perceived as employer of choice
5	Almost certainly will occur	Financial: Financial loss of over £1Mill Service Quality: Major drop in performance or inability to deliver mandatory services Reputation: Long term negative media coverage, or national media exposure Legal/Regulatory: Significant prosecution or fines, incarceration of directors Health & Safety: Significant injuries or fatalities to employees or third parties Morale/Staffing: Some senior leaders leave / high turnover of experienced staff, insufficient staff to complete statutory functions

**Green** - These risks have low impact and/or low likelihood of occurring. Have a plan to prevent them escalating but only light touch monitoring required

**Amber** - These risks need to be managed to prevent them causing an impact on the business or project. Clear plans with owners need to be in place and they should be managed by the project team or service leads on a regular basis

**Red** - These risks can have a significant impact on the business or project and must be managed by the project board or service management team. Mitigations must be in place and managed to ensure that the risk is not realised or can be controlled



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Report to: **Audit Committee**

Date: **22 March 2018**

Title: **General Data Protection Regulation (GDPR) –  
Readiness & Impact**

Portfolio Area: **Strategy & Commissioning, Cllr K Wingate**

Wards Affected: **All**

Relevant Scrutiny Committee: **N/A**

Urgent Decision: **N** Approval and clearance **N/A**  
obtained:

Date next steps can be taken: **N/A**

Author: **Darren Arulvasagam** Role: **Group Manager, Business  
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Officer**

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## **RECOMMENDATION**

**That the Committee note the impacts and support the approach to GDPR readiness ahead of its implementation in May 2018.**

### **1. Executive summary**

- 1.1 From 25<sup>th</sup> May 2018, new regulations come into force in respect of Data Protection – this is known both as the General Data Protection Regulation (GDPR - EU regulation) and the Data Protection Act 2018 (UK Law).
- 1.2 This report provides an overview of the key requirements of the GDPR, outlines the approach that the Council is implementing in order to achieve compliance and the tasks that lay ahead
- 1.3 GDPR places great emphasis on the documentation that the Council must maintain in order to demonstrate accountability. Compliance requires a detailed review of our approach to information governance, data protection and how we collect and process data.

### **2. Background**

- 2.1 Data protection law is changing from 25<sup>th</sup> May 2018. The current law has been in place for twenty years - since before the use of the internet, emails and cloud storage services. The General Data Protection Regulation (GDPR) is an EU regulation drafted to be fit for purpose in the digital age.
- 2.2 GDPR is an EU sourced regulation. In the UK, the existing Data Protection Act which was developed in 1995 will be updated to adopt many of the GDPR requirements (there will be some derogations) and will be known as the Data

Protection Act 2018. This move will ensure that 'Brexit' will not lead to later changes in the law.

- 2.3 The new regulation enhances the rights of data subjects and gives them more control over what happens with their data. It also allows for financial penalties to be imposed on any organisation that breaches those rights or does not comply with the accountability principle.
- 2.4 Organisations need to put technical and organisational measures in place to protect data from loss, unauthorised access, etc. and to ensure the rights of data subjects are protected.
- 2.5 The six general principles under the new legislation are very similar to the current law:
  - 2.5.1 Personal information shall be processed lawfully, fairly and in a transparent manner.
  - 2.5.2 Personal information shall be collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes.
  - 2.5.3 Personal information shall be adequate, relevant, and limited to what is necessary.
  - 2.5.4 Personal information shall be accurate and, where necessary, kept up-to-date.
  - 2.5.5 Personal information shall be retained only for as long as necessary.
  - 2.5.6 Personal information shall be processed in an appropriate manner to maintain security.
- 2.6 Personal data under GDPR includes:
  - an identifier, e.g. a name, email address, phone number
  - personal identification numbers, e.g. bank account or national insurance numbers
  - factors specific to an individual's physical, physiological, genetic, mental, economic, cultural or social identity. This would include anything relating to a disability
  - location data - data that has any kind of geographic position attached to it, e.g. data collected by wireless networks, swipe cards and smart mobile devices that provide location tracking
  - online identifiers, e.g. mobile device IDs, browser cookies, IP addresses
- 2.7 Special Categories of Data are those which are particularly sensitive, e.g. race, ethnicity, political opinion, genetic or health related data and sexual orientation.
- 2.8 GDPR applies to 'controllers' and 'processors' – the controller says how and why personal data is processed and the processor acts on the controller's behalf. In most cases, SHDC (officers and Members) is the controller and processor, in others data is processed by third parties.
- 2.9 The rights of individuals under the GDPR will largely remain the same as under the existing Data Protection law although there are some significant enhancements. From May, individuals will have:
  - the right to be informed;
  - the right of access;
  - the right to rectification;

- the right to erasure;
  - the right to restrict processing;
  - the right to data portability;
  - the right to object; and
  - the right not to be subject to automated decision-making including profiling
- 2.10 The biggest change that the Councils will need to implement in this respect is the ability to locate and delete individual's data across all of the Councils systems. Many customer records are now held in W2 which would make the information relatively easy to delete.
- 2.11 **Subject Access Requests (SARs)** – The new regulations mean that we cannot charge for complying with SAR's and we have to comply with the request within a month rather than the current 40 days allowed. During the last 12 months that Council has handled 4 SARs. The current legislation allows for a fee of £10 to be levied.
- 2.12 **Lawful basis for processing personal data** – For each processing activity that the Council undertakes, the Council needs to identify the lawful basis for the processing. It is important to assess this particularly in light of the right for data to be deleted – if the only lawful basis for processing is 'Consent' then the information must be deleted on request. The lawful basis for processing the information must also be included within the Privacy Notice.
- 2.13 **Consent** – The Council must review how it seeks, records and manages consent. Consent for the Council processing data must be freely given, specific, informed and unambiguous. Consent can also not be inferred. Consent for data processing must be separate for any other terms and conditions in documents, web pages or other data capture means.
- 2.14 **Children** – For the first time, the GDPR will bring in special protection for children's personal data. If the Council obtains personal data in respect of Children, the privacy notice must be written in a language that Children will understand
- 2.15 **Data Breaches** - The GDPR introduces a duty to report certain types of data breach to the ICO, and in some cases, to individuals. The Council will only have to report a breach to the ICO where it is likely to result in a risk to the rights and freedoms of individuals. Additionally, where there is a high risk to these rights and freedoms, resulting in potential for discrimination, reputational damage, financial loss, loss of confidentiality, etc. there is an additional requirement for the individual concerned to be notified. There has been some misleading press articles stating that all breaches will need to be reported to the ICO.
- 2.16 **Data Protection by design and Data Protection Impact Assessment** – The GDPR makes privacy by design an express legal requirement. It also makes Privacy Impact Assessments mandatory where a new technology is being deployed, where a profiling operation is likely to significantly affect individuals or where there is processing on a large scale of the special categories of data.

### 3. **Outcomes**

- 3.1 Under the GDPR, the Council is required to appoint a Data Protection Officer. The regulation states that the appointment must be made on an individuals' professional qualities and expert Data Protection knowledge, laws and practices. They must also be a direct report to the senior tier of management and able to act independently of the Council. The Senior Leadership Team have appointed the Group Manager, Business Development to this role and that specific training has been given to ensure compliance.
- 3.2 The Council have formed an Information Governance Group which is responsible for ensuring the Councils are compliant with all information regulation and laws (Data Protection Act, Freedom of Information Act, and Environmental Information Regulations) as well as ensuring that suitable good practice advice and training is in place for staff. This group of officers meets monthly to monitor progress against plans.
- 3.3 In order to ensure that the Council is compliant, the Information Governance Group commissioned an external "readiness" audit. A GDPR specialist visited the Council and interviewed key officers in order to ascertain priority areas for consideration. Overall the independent assessment considered that while there is a lot of work required for South Hams District Council to be compliant with the GDPR, the Council is reasonably well placed to move to compliance before the regulations takes full effect on 25<sup>th</sup> May 2018.
- 3.4 The Action Plan (Appendix A) denotes the actions required to address the points raised in the readiness audit. The first actions completed have been to appoint a Data Protection Officer (the author of this report) and to instigate a review of all of the Council's data protection policies and procedures. This review will be completed by the end of April 2018.
- 3.5 **Outline Impact for Council Members**  
Each Member is registered with the Information Commissioner's Office / ICO. Members should already be doing the following in respect of personal data:
  - 3.5.1 Keep personal data secure
  - 3.5.2 Only use their official Council email address to respond to constituent queries
  - 3.5.3 Be careful with whom they share personal data
  - 3.5.4 Only keep information for no longer than necessary
  - 3.5.5 Be careful if you work in public areas so that you are not overlooked or overheard
  - 3.5.6 Not leave documents or computers/ipads on whilst you are out of the room
  - 3.5.7 Require a password to access any computer file containing personal data
  - 3.5.8 Ensure any device that you use is password protected / encrypted and is stored securely when not in use
  - 3.5.9 When emailing you should always check who you are sending information to is who you intend to be sending information to – and include the minimum amount of personal data necessary in order to make sense and avoid references to other identifiable people where possible
- 3.6 The new Act places a duty on Members to keep certain records as it is their duty to show that they are complying with the law.

- 3.7 New requirements applicable to Members as a result of GDPR:
  - 3.7.1 Keep a record of all processing activities, to show compliance with the legislation
  - 3.7.2 Give a more detailed Privacy Notice when personal data is collected
  - 3.7.3 Tell subjects their rights
  - 3.7.4 Delete 'old' data when it is no longer needed
  - 3.7.5 Report any breaches within 72 hours to the ICO
  
- 3.8 By May 2018 the Council will have:
  - 3.8.1 A compliant General Data Protection Regulation Policy (currently under development)
  - 3.8.2 Delivered online training on the new regulations to all employees
  - 3.8.3 Delivered face to face training sessions for Information Asset Owners (60 staff already received training, with regular updates to the ELT and SLT)
  - 3.8.4 Prepared an information asset register for all processing activities and identified the lawful basis for such processing
  - 3.8.5 Prepared an information / training checklist for Members to advise how they should deal with personal data
  - 3.8.6 Updated its Privacy Notices to be compliant with the new regulation & prepared a data protection impact assessment for all relevant areas of data processing
  - 3.8.7 Appendix A details the actions being undertaken.
  
- 4 Options available and consideration of risk**
  - 4.1 Although the regulations continue to be interpreted and clarifications provided by the Information Commissioners Office, the Council must aim to be compliant by 25<sup>th</sup> May 2018 to avoid the risk of substantial fines and reputational damage.
  - 4.2 The new regulations allow the ICO to impose up to £17m fine per breach although the ICO have confirmed that fines will be the last resort (of the 17,300 cases reported to the ICO last year, 16 of them resulted in a fine to the organisations concerned).
  - 4.3 So far for 2017/18, 10 Data Protection complaints have been made to the Council, two of which have been referred to the ICO for investigation.
  
- 5 Proposed Way Forward**
  - 5.1 To continue to deliver against the action plan as set out in Appendix A & section 3 of this report.



## 6.0 Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>Compliance with the regulations is critical in ensuring that the reputation of the Council is upheld and that the rights of individuals are protected.</p> <p>Our existing Data Protection policy requires updating in order to be compliant – this work is underway.</p>
Financial	Y	<p>There are no significant financial implications from obtaining compliance however there is risk of significant financial penalties for non-compliance. At present, resources have been absorbed / pooled from Support Services, Customer First and Strategy &amp; Commissioning to prepare for the implementation of the new regulations, with no new budget pressure.</p>
Risk	Y	<p>There is a significant amount of work to be undertaking in ensuring compliance with the regulations. An action plan is in place and is monitored regularly. A project team has been formed which meets regularly, with oversight by the Information Governance CoP, the Data Protection Officer and SLT.</p> <p>Training has been and will be arranged for individuals at an appropriate level based on their role in the organisation to ensure awareness of the new regulation &amp; the impact that this has on their activities.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	<p>There are no Equality and Diversity implications. The regulations apply to all individuals equally.</p>
Safeguarding	N	<p>None – Compliance with GDPR has implicit improvement impacts on safeguarding</p>
Community Safety, Crime and Disorder	N	<p>None</p>
Health, Safety and Wellbeing	N	<p>This is implicit with GDPR and will be dealt with through compliance and revised policies.</p>
Other implications	N	<p>Policies will be updated as a result of compliance with GDPR</p>

### Supporting Information

#### **Appendices:**

Appendix A – GDPR Action Plan

#### **Background Papers:**

None

APPENDIX A - GDPR ACTION PLAN

Governance Framework				
Workstream	Objective	Actions	Status	
Review/revise policies and procedures	<ul style="list-style-type: none"> <li>The Council has checked its procedures to ensure that it can deliver the rights of individuals under the GDPR.</li> <li>The Council has implemented appropriate technical and organisational measures to show it has considered and integrated data protection into its processing activities.</li> </ul>	<ul style="list-style-type: none"> <li>Determine policies and procedures in scope and policy owners</li> <li>Collate changes needed for each policy</li> <li>Policy changes approved</li> <li>Publish revised policies</li> <li>Ensure template letters/documents compliant with revised policies</li> </ul>	<ul style="list-style-type: none"> <li>Complete</li> <li>With DPA Assist</li> <li>April 2018</li> <li>By end April 2018</li> <li>By end of April 2018</li> </ul>	<ul style="list-style-type: none"> <li>Ensure policies cover all the rights individuals have, including how personal data would be deleted or provided electronically and in a commonly used format</li> <li>Management support and direction for data protection compliance in a framework of policies and procedures.</li> <li>Compliance with data protection policies with regular reviews of the effectiveness of data handling and processing activities and security controls.</li> </ul>
Privacy Impact Assessments	<ul style="list-style-type: none"> <li>The Council understands when it must conduct a PIA and has processes in place to action this.</li> <li>The Council has a PIA framework which links to its existing risk management and project management processes.</li> <li>Good practice to adopt a privacy by design approach and to carry out a privacy impact assessment as part of this. A privacy by design and data minimisation approach has always been an implicit requirement of the data protection principles. However, the GDPR will make this an express legal requirement.</li> <li>The Council should:                             <ul style="list-style-type: none"> <li>Review the ICO guidance on Privacy Impact Assessments (PIAs);</li> <li>Implement a plan to introduce the new GDPR Data Privacy Impact Assessments within the Council;</li> <li>Implement procedures to link PIAs to other risk management and project management processes.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Design new process and form – to include reference to project management and risk management processes</li> <li>Publication</li> <li>Training</li> <li>Ongoing review and audit</li> </ul>	<ul style="list-style-type: none"> <li>Draft PIA process and form before 31 March 2018 – ICO guidance and templates</li> <li>30/04/2018</li> <li>TBC</li> <li>Ongoing</li> </ul>	<p>The GDPR includes provisions that promote accountability and governance. The Council should put into place comprehensive but proportionate governance measures including:</p> <p>A privacy by design approach such as:</p> <ul style="list-style-type: none"> <li>Privacy impact assessments;</li> <li>Internal data protection policies;</li> <li>Staff training;</li> <li>Internal audits of processing activities; and</li> <li>Reviews of internal HR policies.</li> </ul>
<ul style="list-style-type: none"> <li>Data Protection Officer</li> </ul>	<ul style="list-style-type: none"> <li>The Council has designated responsibility for data protection compliance to a suitable individual within the organisation (a Data Protection Officer).</li> </ul>	<ul style="list-style-type: none"> <li>Scope requirements of DPO role</li> <li>Implement DPO role</li> <li>Publicise – website, staff newsletter etc</li> </ul>	<ul style="list-style-type: none"> <li>Complete</li> <li>Complete</li> <li>Ongoing</li> </ul>	

<input type="checkbox"/> Data Breaches	<input type="checkbox"/> The Council has implemented appropriate procedures to ensure personal data breaches are detected, reported and investigated effectively. <input type="checkbox"/> The Council has mechanisms in place to assess and then report relevant breaches to the ICO where the individual is likely to suffer some form of damage, e.g. through identity theft or confidentiality breach. <input type="checkbox"/> The Council has mechanisms in place to notify affected individuals where the breach is likely to result in a high risk to their rights and freedoms.	<input type="checkbox"/> Determine current practices in relation to data breaches	Policy and Procedure in place / being updated	GDPR will bring in a breach notification duty across the board. The Council should: <ul style="list-style-type: none"> <li><input type="checkbox"/> Implement appropriate procedures to ensure personal data breaches are detected, reported and investigated effectively; and</li> <li><input type="checkbox"/> Put mechanisms in place to assess and then report any breaches to the ICO where the individual is likely to suffer some form of damage, e.g. through identity theft or confidentiality breach.</li> </ul>
		<input type="checkbox"/> Determine any gaps and produce actions for changes (to include reporting and notification procedure)	31/03/2018	
		<input type="checkbox"/> Collate and apply changes to data breach procedure	30/04/2018	

Data Collection and Use				
Data Audit	<ul style="list-style-type: none"> <li>• Council has documented what personal data is held, where that data came from and who it is shared with.</li> <li>• The Council has planned to conduct an information audit across the organisation to map data flows.</li> </ul>	<input type="checkbox"/> Establish what categories of information are held in each team	Information Asset Register circulated	Organise an information audit, across the organisation or within particular business areas; <ul style="list-style-type: none"> <li>• Document what personal data is held, where it came from and who it is shared with;</li> <li>• Develop policies and procedures in order to ensure the accuracy of this document detailing the information held on an on-going basis;</li> <li>• The Council has planned to conduct an information audit across the organisation to map data flows.</li> </ul>
		<input type="checkbox"/> Identify what personal data is included in each category, where it came from, and who it is shared with	By end of March	
		<input type="checkbox"/> Identify any data subject to 'higher risk processing'	5 <sup>th</sup> April 2018	
		<input type="checkbox"/> Particular issues to be included on risk register		
		<input type="checkbox"/> Periodic data audit at regular intervals in future	Ongoing	
		<input type="checkbox"/> Review retention and access schemes	May 2019	
Consent process	<ul style="list-style-type: none"> <li>• The Council has reviewed how it seeks, records and manages consent.</li> <li>• The Council has reviewed the systems currently used to record consent and implemented appropriate mechanisms in order to ensure an effective audit trail.</li> </ul> <p>The GDPR is clear that businesses must be able to demonstrate that consent was given. The Council should:</p>	<input type="checkbox"/> Scope definition and requirements of consent		<ul style="list-style-type: none"> <li>• As an organisation of fewer than 250 employees, the Council is required to maintain records of activities related to higher risk processing.</li> <li>• Areas that could cause compliance problems under the GDPR and to be recorded on the Council's risk register.</li> </ul>
		<input type="checkbox"/> Determine methods for capturing and monitoring consent		
		<input type="checkbox"/> Options paper for review		
		<input type="checkbox"/> Implement options		

	<ul style="list-style-type: none"> <li>Review consent mechanisms to make sure they meet the GDPR requirements on being specific, granular, clear, prominent, opt-in, documented and easily withdrawn;</li> <li>Review the systems currently used to record consent and implement appropriate mechanisms in order to ensure an effective audit trail.</li> </ul>			
Privacy Notices	<ul style="list-style-type: none"> <li>The Council has reviewed its current privacy notices and has a plan in place to make any necessary changes in time for GDPR implementation.</li> <li>The Council has reviewed the various types of processing it carries out. It has identified the lawful basis for its processing activities and documented this.</li> <li>The Council has explained its lawful basis for processing personal data in its privacy notice(s).</li> </ul> <p>Many organisations will not have thought about their lawful basis for processing personal data. The Council should:</p> <ul style="list-style-type: none"> <li>Conduct an information audit across the organisation to map data flows;</li> <li>Document what personal data is held, where that data came from and who it is shared with;</li> <li>Look at the various types of data processing carried out, identify the lawful basis for carrying it out and document it; and</li> <li>Explain the lawful basis for processing personal data in Council privacy notice(s).</li> </ul>	<input type="checkbox"/> Determine current practices and controls for maintaining privacy notices (printed and electronic, e.g. website)	April 2018	<p>When the Council collects personal data it currently has to give people certain information, such as its identity and how it intends to use their information. This is usually done through a privacy notice. Under the GDPR there are some additional things the Council will have to tell people.</p> <p>The Council should:</p> <ul style="list-style-type: none"> <li>Read the ICO's Privacy notices code of practice which reflects the new requirements of the GDPR; and then</li> <li>Review the Council's current privacy notices and put a plan in place for making any necessary changes in time for GDPR implementation.</li> </ul>
		<input type="checkbox"/> Determine any gaps and produce actions for changes		
		<input type="checkbox"/> Collate and apply changes to privacy notices		

### Third Party Management

<input type="checkbox"/> List of Third Parties		<input type="checkbox"/> Collate list of all third parties within scope – i.e. parties with whom the Council contracts and shares personal data	April 2018	
		<input type="checkbox"/> Establish central record or incorporate additional field in existing record to register relevant third parties		

☐ Standard Contract Terms		☐ Develop standard terms to incorporate both DPA and GDPR compliance		
		☐ Incorporation of standard terms in all relevant contractual negotiations		
		☐ Edit standard terms to GDPR only compliance		
		☐ Incorporation of standard terms in all relevant contractual negotiations		
☐ High Risk Third Parties		☐ Agree ongoing action plan to move existing contractual parties on to new contract terms	May 2018	

**Retention and Disposal**

☐ Agreed and published retention periods for Personal Data		☐ Determine current retention periods and formatting	From information asset register	
		☐ Review period and highlight any gaps	April 2018	
		☐ Where gaps exist highlight for legal review	April 2018	
		☐ Options paper for best method of presenting		
		☐ retention periods to staff and public	Early May 2018	
		☐ Implement options for retention, presentation and management	May 2018	
☐ Establish and implement process for managing and monitoring retention periods		☐ Determine and collate all areas dependent on the retention schedule		
		☐ Document and agree process for maintaining schedule and communicate to affected staff		
☐ Agree and establish a process for the destruction of Personal Data		☐ Determine current controls and risks around electronic destruction of Personal Data		
		☐ Determine current controls and risks around physical destruction of Personal Data		
		☐ Implement agreed solution and establish monitoring controls		

**Rights**

<input type="checkbox"/> Right to complaint		<input type="checkbox"/> Scope and document changes needed to complaints process		<input type="checkbox"/> The Council supports the data protection lead through provision of appropriate training and reporting mechanisms to senior management. The Council has reviewed its procedures and has plans in place for how it will handle requests from individuals for access to their personal data within the new timescales outlined in the GDPR. The Council has reviewed its procedures and has plans in place for how you will provide any additional information to requestors as required under the GDPR.
		<input type="checkbox"/> Agree implementation plan		
		<input type="checkbox"/> Deliver changes with training and awareness for appropriate staff		
<input type="checkbox"/> Right to correction, deletion and objection		<input type="checkbox"/> Scope and document GDPR requirements		
		<input type="checkbox"/> Benchmark requirements against current processes		
		<input type="checkbox"/> Agree changes and plan for implementation		
		<input type="checkbox"/> Implement changes with training support		
<input type="checkbox"/> Right to access		<input type="checkbox"/> Scope and document GDPR requirements		
		<input type="checkbox"/> Benchmark changes required against current processes		
		<input type="checkbox"/> Agree changes and plan implementation		
		<input type="checkbox"/> Implement changes with training support		
<input type="checkbox"/> Data portability		<input type="checkbox"/> Scope and document GDPR requirements		
		<input type="checkbox"/> Benchmark changes required against current processes		
		<input type="checkbox"/> Agree changes and plan implementation		
		<input type="checkbox"/> Implement changes with training support		

**Security**

		<input type="checkbox"/> Scope and document incident response and notification process		
		<input type="checkbox"/> Benchmark requirements against current processes		
		<input type="checkbox"/> Agree changes for implementation		
		<input type="checkbox"/> Scope and document encryption requirements under GDPR		
		<input type="checkbox"/> Benchmark requirements against current processes		
		<input type="checkbox"/> Agree changes for implementation		
		<input type="checkbox"/> Scope and document confidentiality requirements under GDPR		
		<input type="checkbox"/> Benchmark requirements against current controls		
		<input type="checkbox"/> Agree changes for implementation		
		<input type="checkbox"/> Implement changes with training support		
		<input type="checkbox"/> Scope and document integrity requirements under GDPR		
		<input type="checkbox"/> Benchmark requirements against current controls		
		<input type="checkbox"/> Agree changes and plan for implementation		

**Systems and Technology**

<input type="checkbox"/> Collated list of required system changes		<input type="checkbox"/> Collate systems in scope and changes needed from other workstreams		
		<input type="checkbox"/> Determine costs and resources needed for each change		
		<input type="checkbox"/> Document requirements for approval		
		<input type="checkbox"/> Agree action plan based on approval		
<input type="checkbox"/> Collated list of requirements for data portability		<input type="checkbox"/> Determine systems in scope for data portability requirements		

		<input type="checkbox"/> Determine costs and resources needed for each change		
		<input type="checkbox"/> Document requirements for approval		
		<input type="checkbox"/> Agree action plan based on approval		
<input type="checkbox"/> Deployment of anonymisation standards and processes		<input type="checkbox"/> Determine purposes where identification is not required		
		<input type="checkbox"/> Document anonymisation and pseudonymisation processes		
		<input type="checkbox"/> Scope and agree areas where can be applied		
		<input type="checkbox"/> Implement changes with training and support		
<b>Training and Awareness</b>				
<input type="checkbox"/> Scope and deliver training programmes for key roles	<input type="checkbox"/> Decision makers and key people in the Council are aware that the law is changing to the GDPR and appreciate the impact this is likely to have. <input type="checkbox"/> The Council is raising awareness across the organisation of the changes that are coming.	<input type="checkbox"/> Determine key roles and teams for dedicated training		<ul style="list-style-type: none"> <li>• Check its current systems will support the rights of individuals under the new legislation, for example deleting electronically held personal data on request.</li> </ul> The Council should: <ul style="list-style-type: none"> <li>• Clearly set out its approach to the new GDPR legislation and assign responsibilities for managing the change;</li> <li>• Assess and identify areas that could cause compliance problems and record these on the Council's risk register</li> </ul>
		<input type="checkbox"/> Determine training requirements for key roles		
		<input type="checkbox"/> Draft training programme		
		<input type="checkbox"/> Deliver training programme		
<input type="checkbox"/> Scope and deliver ongoing awareness programme	<input type="checkbox"/> Plan for a more general awareness campaign across the Council to educate staff on the changes to the current legislation and highlight how these changes will impact them. The Council has developed and implemented a needs-based data protection training programme for all staff.	<input type="checkbox"/> Determine training needs for all staff based on changes in organisational redesign		
		<input type="checkbox"/> Draft training package for both face to face and e-learning		
		<input type="checkbox"/> Deliver training package		



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