

West Devon Audit Committee



West Devon
Borough
Council

Title:	Agenda
Date:	Tuesday, 20th March, 2018
Time:	2.00 pm
Venue:	Chamber - Kilworthy Park
Full Members:	<p style="text-align: center;">Chairman Cllr Davies Vice Chairman Cllr Ball</p> <p><i>Members:</i> Cllr Cann OBE Cllr Stephens Cllr Hockridge Cllr Watts Cllr Lamb</p>
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
Committee administrator:	Member.Services@swdevon.gov.uk

1. Apologies for absence

2. Declarations of interest

Members are invited to declare any personal or disclosable pecuniary interests, including the nature and extent of such interests they may have in any items to be considered at this meeting.

If Councillors have any questions relating to predetermination, bias or interests in items on this Agenda then please contact the Monitoring Officer in advance of the meeting.

3. Items Requiring Urgent Attention

To consider those items which, in the opinion of the Chairman, should be considered by the Meeting as matters of urgency (if any).

4. Confirmation of Minutes

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Meeting held on 30 January 2018

5. KPMG Annual Audit Fee 2017/18 (Addendum - Confirmation of Certification Fees)

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6. KPMG West Devon Borough Council - Audit Progress

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7. 2018/19 Treasury Management Strategy

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8. Draft Budget Book 2018/19

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9. Shared Services Methodology 2017/18

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10. Sundry Debt Update Report

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11. Internal Audit Plan

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12. Strategic Risk Assessment: Regular Update

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13. Review of the Council Constitution

Report to follow

Agenda Item 4

At a Meeting of the **AUDIT COMMITTEE** held in the Council Chamber, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **30th** day of **January 2018** at **10.00am**

Present: Cllr M Davies (Chairman)

Cllr K Ball
Cllr B Stephens
Cllr B Lamb

Officers in attendance:

Section 151 Officer
Internal Audit Manager
Darren Gilbert KPMG
Senior Case Officer, Strategy &
Commissioning

Also in attendance: Cllr C Edmonds (lead Hub Committee Member)

* **AC 21 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr Cann and Cllr Watts

* **AC 22 CONFIRMATION OF MINUTES**

The Minutes of the Meeting held on 19 September 2017 were confirmed and signed by the Chairman as a correct record.

* **AC 23 KPMG ANNUAL AUDIT LETTER AND CLOSURE OF THE AUDIT LETTER;**

Mr Gilbert explained that there was nothing to add from the previous Audit meeting when the Annual Audit Letter and Closure of the Audit Letter was presented. He outlined the two areas of risk were shared costs and the pension scheme and controls were in place to address these. The Committee thanked the Finance Team for their work.

It was then **RESOLVED** that:

The KPMG Annual Audit Letter and Closure of the Audit Letter be noted.

* **AC 24 KPMG CERTIFICATE OF CLAIMS AND RETURNS – ANNUAL REPORT 2016/17**

Mr Gilbert gave an unqualified report which he stated was very rare. He said it was a fantastic outcome for West Devon and South Hams. He reported that both Councils were his only clients to receive an unqualified report.

The Committee passed its thanks to the Housing Benefits team.

It was then **RESOLVED** that

The KPMG Certificate of Claims and Returns – Annual Report be noted.

***AC 25 KPMG EXTERNAL AUDIT PLAN 2017/18**

Mr Gilbert outlined the risk areas as property and equipment and pensions. External experts were used to evaluate property and equipment. Faster closure of accounts meant an accelerated timetable. End of May to publish draft Accounts and end of July to publish audited accounts.

There would be more risk as a greater use of estimates would have to be made, but there were plans in place to deal with them.

The Audit certificate could be delayed as this is the first year of the end of July deadline for audited accounts.

It was then:

RESOLVED that the KPMG External Plan 2017/18 be noted.

***AC26 UPDATE ON THE APPOINTMENT OF THE EXTERNAL AUDITOR FOR 2018/19**

It was clarified that Grant Thornton had been appointed as External Auditors for 2018/19. Steve Johnson was likely to be assigned as the The Audit Manager.

It was then:

RESOLVED

That the update on the Appointment of the External Auditor for 2018/19 be noted.

***AC 27 UPDATE ON PROGRESS OF THE 2017/18 INTERNAL AUDIT PLAN**

The Chief Internal Auditor gave an update on the progress of the Internal Audit Plan. He reported 13 days lost through sickness would be Backfilled and time deferred into the 2018/2019 plan. Referring to the Grounds Maintenance and Health & Safety audits he said positive action was taking place.

Weaknesses in Business continuity were being addressed and findings would be emailed to the Chairman.

It was then:

RESOLVED

That the Progress made against the 2017/18 internal audit plan and any key issues arising be approved.

***AC 28 TREASURY MANAGEMENT MID-YEAR REVIEW**

Cllr Edmonds took Members through the report.

The Council's current counterparty limit was £3 million and it was likely that this would be requested to be increased to £4 million in the 2018/19 Treasury Management Strategy. The Council would also look to widen its counterparty list.

It was then:

RESOLVED

That the contents of the report be endorsed.

***AC 29 CYBER SECURITY – VERBAL UPDATE**

(Resolved that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting on the grounds that exempt information is likely to be disclosed as defined in Paragraph 1 of Schedule 12(A) to the Act).

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

After receiving 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.

(The Meeting terminated at 11.30am)

Dated this

Chairman

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Our ref WDBC/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 West Devon Borough 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.

Audit area	Planned fee 2017/18	Actual fee 2016/17
Certification of housing benefit grant claim	5,630	5,340

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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Devon PL19 0BZ

Our ref WCBC/17-
18/InterimLetter

9 March 2018

Dear Lisa

West Devon Borough 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 is one non-significant control deficiency which we have discussed with you and your team. This related to 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 2017. 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

Agenda Item 7

Report to: **Audit Committee**
Date: **20 March 2018**
Title: **2018/19 Treasury Management Strategy**
Portfolio Area: **Support Services – Cllr C Edmonds**
Wards Affected: **All**
Relevant Scrutiny Committee:
Urgent Decision: **N** Approval and clearance obtained: **Y**
Date next steps can be taken: After Full Council

Authors: Alexandra Walker Role: **Specialist Accountant**

Contact: **Email Alexandra.walker@swdevon.gov.uk
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Recommendations:

That the Audit Committee scrutinises the following and makes any comments to Council on the:

- 1. prudential indicators and limits for 2018/19 to 2020/21 contained within Appendix A of the report.**
- 2. Minimum Revenue Provision (MRP) statement contained within Appendix A which sets out the Council's policy on MRP**
- 3. Treasury Management Strategy for 2018/19 and the treasury prudential indicators 2018/19 to 2020/21 contained within Appendix B.**
- 4. Investment Strategy 2018/19 Appendix C and the detailed criteria included in Appendix D (including the counterparty list in Appendix E).**

1. Executive summary

This report seeks approval of the 2018/19 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 £90,321. This is £20,000 higher than for 2017/18, due to higher bank rate and returns from long dated investments and extending credit rating criteria.

The Council currently has a £2.1 million loan with the Public Works Loan Board. In December 2017, the Council approved an amendment to the Property Acquisition Strategy (Minute CM45), which enables the Council to borrow up to £37.45 million (for a £35 million portfolio plus acquisition costs of 7%).

Further borrowing of £2.55 million to fund a Residential Property Purchase (Minute HC53) was also approved. This borrowing will not take place until 2019/20 at the earliest.

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

- **Country and sector limits** – the Council has the opportunity to lift the restriction to only use UK registered banks. Widening this limit allows the use of approved counterparties from countries with a minimum sovereign credit rating of AA- (see Appendix C and Appendix E).
- **Counterparty list** – the Council has the opportunity to lift the restriction to only use UK registered banks, the Council's approved counterparty list has been included in Appendix E.
- **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.
- **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.
- The Council's prudential indicators have been revised to reflect the current schedule of borrowing for the leisure, commercial property and residential property investment, and the purchase of the waste fleet (see Appendix A).

2. Background

The Council is required to operate a balanced revenue 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 scrutiny of Treasury Management reports are a responsibility of the Audit Committee. The three reports above are presented to the Audit Committee at the relevant times in the calendar year. (The report is also being presented to the Hub Committee on 13th March).

2.2 Capital Strategy

In December 2017, CIPFA issued the 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. The Council will prepare a Capital Strategy in 2018/19.

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;
- The borrowing strategy;
- 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 2nd February and we 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 treasury management training on 31st January.

2.5 Treasury management advisors

The Council uses Link Asset Services, Market Services 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.

The Commercial Property Acquisition Strategy update was approved by Council on 5th December 2017. It was approved as part of that report to gain specialist treasury management advice in order to develop a full business case for the commercial property acquisition proposals set out in the report. A revised Treasury Management Strategy was also approved by Council at the same time.

3. Outcomes/outputs

The budget for investment income for 2018/19 has been set at £90,321. This is £20,000 higher than for 2017/18, due to higher bank rate and returns from long dated investments.

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 Counterparties but further increase the limit we can invest in each to avoid using those with the lowest rate of return. The Commercial Property Acquisition Strategy update was approved by Council on 5th December 2017. It was approved as part of that report to gain specialist treasury management advice in order to develop a full business case for the commercial property acquisition proposals set out in the report. A revised Treasury Management Strategy was also approved by Council at the same time.

5. Proposed Way Forward

It is recommended for the Council to approve the Treasury Management and Investment Strategy (Full Council will consider the Treasury Management and Investment Strategy on 27th March).

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>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.</p> <p>It is within the Terms of Reference of the Audit Committee to scrutinise the Treasury Management and Investment Strategy.</p>
Financial	Y	<p>Good financial management and administration underpins the entire strategy. The budget for investment income for 2018/19 is £90,321.</p> <p>As at 31/3/17 (Balance Sheet position), the Council had £8,450,000 in investments.</p> <p>In December 2017, the Council approved an update to the Commercial Property Acquisition Strategy.</p> <p>It was resolved that the proposed commercial property acquisition strategy (as detailed in Appendix A of the report) be implemented and to borrow funds on fixed rate terms to pursue the strategy. To complete Tranche 1, this requires borrowing of up to £37.45 million (£35 million plus acquisition costs of up to 7%).</p> <p>The Treasury Management Strategy for 2017/18 was revised to include the proposals within the Commercial Property Acquisition Strategy and the Council's Borrowing Limits were increased by £37.45 million.</p>
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 the 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. Investment interest income is reported quarterly to SLT and the Hub Committee as part of the budget reports.</p>
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

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 16th February 2018

Appendix F - Treasury Management Scheme of delegation

Appendix G - Glossary of Terms Appendix

Background Papers:

Audit Committee: 21/03/17 - TMS & Annual Investment Strategy 2017-18

Audit Committee: 30/01/18 - TMS (Mid-Year Update)

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	2016/17 Actual £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Total	651	4,138	38,398	3,144	551

The capital expenditure estimates have been increased by £37.45 million in 2018/19 in line with the commercial property acquisition strategy. Similarly estimates for 2019/20 have been increased by £2.55 million for the Residential Property Purchase (HC 53).

Note: The Council has not yet purchased any commercial property at the time of writing this report but the table reflects the approved strategy.

Officers are constantly monitoring market opportunities. An offer has been accepted for a property and the transaction is proceeding.

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	2016/17 Actual £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000
Total	651	4,138	38,398	3,144	551
Financed by:					
Capital receipts	0	0	0	0	0
Capital grants	239	402	450	450	450
Earmarked Revenue Reserves	0	80	0	0	0
New Homes Bonus	412	88	65	101	101
Net financing need for the year (This is the prudential borrowing required for the capital investment in leisure, the waste fleet and commercial property)	Nil	3,568	37,883	2,593	Nil

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 2016/17 the Council has agreed to undertake prudential borrowing for the new leisure contract. The Council has also agreed borrowing for the waste fleet vehicles.

The Capital Financing Requirement has been increased by £37.45 million in 2018/19 to reflect the recommendations within the commercial property acquisition strategy. This is further explained within the Executive Summary of this report.

The Council is asked to approve the CFR projections below:

	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Capital Financing Requirement (CFR)					
Total CFR	1,715	5,241	42,754	44,583	43,794
Movement in CFR	-42	3,526	37,513	1,829	-789
Movement in CFR represented by:					
Net Financing need for the year	0	3,568	37,883	2,593	0
Less MRP and other financing movements	-42	-42	-370	-764	-789
Net borrowing requirement	-42	3,526	37,513	1,829	-789

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:-

Borrowing	MRP Methodology
Commercial Property acquisition (Borrowing of up to £37.45 million) Residential Property Purchase	<p><i>Annuity Method (over the 50 years)</i></p> <p>Under this calculation, the revenue budget bears an equal annual charge (for principal and interest) over the life of the asset by taking into account the time value of money. Since MRP only relates to the 'principal' element, the amount of provision made annually gradually increases during the life of the asset. The interest rate used in annuity calculations will be referenced to prevailing average PWLB rates. Under this example, the MRP charge in Year 1 on a £37.45 million borrowing would be £367,000, this rises to £377,000 in Year 2 etc.</p>
Waste Fleet, Leisure Investment and Kilworthy Park	<p>Asset Life Method</p> <p>MRP is charged using the Asset Life method – based on the estimated life of the asset.</p> <p>This option provides for a reduction in the borrowing need over approximately the assets' 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.

The financing costs have been increased to reflect the proposals within the commercial property acquisition strategy. These proposals have increased this indicator in 2018/19 and 2019/20.

	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Estimate	Estimate	Estimate	Estimate
Ratio of net financing cost to net revenue stream. This is a net cost.	1.2%	2.3%	20.3%	26.6%	27.7%

APPENDIX B

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.

Current Portfolio Position

The Council's treasury portfolio position at 31 March 2017, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2016/17	2017/18	2018/19	2019/20	2020/21
	Actual	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000
External Debt					
Debt at 1 April	2,100	2,100	5,668	43,551	46,144
Expected change in debt					
Debt at 31 March	2,100	5,668	43,551	46,144	46,144
CFR	1,715	5,241	42,754	44,583	43,794
Under/(over) borrowing	-385	-427	-797	-1,561	-2,350
Investments					
Total Investments at 31 March	8,450	8,000	8,000	8,000	8,000
Net (Investment)/Debt	-6,350	-2,332	35,551	38,144	38,144

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Capital Financing Requirement has been increased by £37.45 million in 2018/19 to reflect the recommendations within the commercial property acquisition strategy. This is further explained within the Executive Summary of this report.

The S151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

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 Estimate £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £
Borrowing	10,000,000	47,500,000	47,500,000	47,500,000
Other long term liabilities	-	-	-	-
Total	10,000,000	47,500,000	47,500,000	47,500,000

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.

The Operational Boundary has been increased by £37.45 million in 2018/19 to reflect the recommendations within the commercial property acquisition strategy. This is further explained within the Executive Summary of this report. Similarly the limits in 2019/20 have been increased by £2.55 million for the residential property purchase (HC 53).

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

Authorised limit	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £
Borrowing	12,000,000	50,500,000	50,500,000	50,500,000
Other long term liabilities	-	-	-	-
Total	12,000,000	50,500,000	50,500,000	50,500,000

The figures in 2017/18 have increased to reflect the proposed borrowing for the new leisure contract and potential additional borrowing for the waste fleet.

The Authorised Limit has been increased by £37.45 million in 2018/19 to reflect the recommendations within the commercial property acquisition strategy. Similarly the limits in 2019/20 have been increased by £2.55 million for the residential property purchase (HC 53).

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 their 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 CM28) the Council agreed to undertake prudential borrowing for the new leisure contract. There is predicted to be £1.2 million of Leisure investment in 2017/18 (this is shown in the movement in CFR). The remaining leisure investment occurs in 18/19.

Also at Council on 26 July 2016 (Minute CM27), Council agreed that the Council enters into an external Waste Management arrangement; for a 2 year period and that the Council proceeds to acquire the fleet required to satisfy the West Devon Waste specification as set out in Appendix D of the July 2016 agenda report. The cost of the fleet is to be financed through prudential borrowing.

In December 2017, the Council approved an amendment to the Commercial Property Acquisition Strategy. It was resolved as part of that report to borrow funds on fixed rate terms to pursue the strategy. To complete Tranche 1, this requires borrowing of up to £37.45 million (£35 million plus acquisition costs of up to 7%).

Further borrowing of £2.55 million to fund a Residential Property Purchase (Minute HC53) was also approved. This borrowing will not take place until 2019/20 at the earliest

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:

Interest rate Exposures	2018/19	2019/20	2020/21
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	50%	50%	50%
Limits on fixed interest rates: Debt only	47,500,000	47,500,000	47,500,000
Limits on variable interest rates: Debt only	3,500,000	3,500,000	3,500,000
Maturity Structure of fixed interest rate borrowing 2018/19			
	Lower	Upper	
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%	

These are limits that apply to the total portfolio for in house investments.

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 advance borrowing 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.

Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed rates, opportunities to generate savings by switching from long term debt to short term debt are regularly evaluated. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- The generation of cash savings and/or discounted cash flow savings
- Helping to fulfil the treasury strategy
- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. In light of current interest rates and penalties incurred in repaying debt it is unlikely that debt rescheduling will be undertaken in the near future.

The Council has enquired as to whether there is any opportunity to reschedule the PWLB loan of £2.1 million but the associated early repayment charge and premium that would be charged makes this uneconomic at this stage.

All rescheduling will be reported to the Council, at the earliest meeting following its action.

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.

The Investment Strategy**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 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:

- | | Now |
|-----------|------------|
| • 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: -

Maximum principal sums invested > 365 days			
£m	2018/19	2019/20	2020/21
Principal sums invested > 365 days	£2 million	£2 million	£2 million

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 £0.5 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:

	Minimum credit criteria / colour band	Max % of total investments / £ limit per institution	Max. maturity period
DMADF – UK Government	N/A	100%	6 months
Money Market Funds	AAA	£3 million	Liquid
Ultra Short Dated Bond Funds	AAA	£6 million	T + 2
Local authorities	N/A	£3 million	5 years

	Minimum credit criteria / colour band	Max % of total investments / £ limit per institution	Max. maturity period
Property Investment Funds – CCLA	N/A	£500,000	No fixed maturity date but will generally be up to 7 years
Term deposits with banks and building societies	Yellow	£3 million (£4 million for Lloyds – the Council’s Bank)	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
The Council is not recommending using the following investment vehicles and this is reflected by showing 0% against the limit per institution.			
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

	Minimum credit criteria / colour band	Max % of total investments / £ limit per institution	Max. maturity period
	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 total investment	Max. maturity period
UK part nationalised banks	Blue	In-house	£3 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.

A Guide to Money Market Funds	
Definition	A pool of cash managed by an independent fund management company. Frequently these are well known banks or investment houses.
Investment	Investors purchase units (shares) of the fund which are held on their behalf in a custody account.
Returns	Returns in line with either 7-day or 1-month LIBID are targeted by most funds.
Liquidity	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.
Variety	Two types of classes exist – <ol style="list-style-type: none"> 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. 2) Accumulating Net Asset Value (ANAV) – interest is credited to the shares and the price rises to reflect the return achieved.
Accounting	Purchases of MMF shares do not score as capital expenditure. Sales do not score as capital receipts.
Legality	Local authorities are permitted to invest in sterling denominated funds with an AAA credit rating and domiciled in the EU.
Regulation	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.

Portfolio holdings	Cash is invested in a selection of high quality, high liquidity securities including: time deposits, certificates of deposit, short-dated gilts, corporate bonds and notes, commercial paper etc.
Credit rating	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.
Risk management	<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> <ol style="list-style-type: none"> 1) Rating requirements – in order to maintain an AAA rating fund managers must adhere to requirements specified by the rating agencies. These include: <ul style="list-style-type: none"> • A maximum exposure to any one counterparty (concentration ratio) between 5% & 10% • A maximum weighted average maturity (WAM) for the entire fund – typically 60 days • A minimum level of overnight investments to ensure high liquidity • A lower limit on quality of investment counterparty 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.
Exposure limits	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.

The Council's 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	Long Term	Short Term				
United Kingdom														Y - 60 mths	
	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	
Banks	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	
Building Societies	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	
Nationalised and Part Nationalised Banks	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

1/100th 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)

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

Agenda Item 8

Report to: **Audit Committee**
Date: **20 March 2018**
Title: **Budget Book 2018/19**
Portfolio Area: **Support Services – Councillor C Edmonds**

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**
01803 861377

<p>Recommendations: That the Audit Committee notes the content of the Budget Book for 2018-19.</p>
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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 2017/18 against the Budget for 2018/19. 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 £74,500 for 2018/19 and this is shown in Cost Centre W1020. There is a separate column 'Salaries' for any increase or decrease in the budget which was salary related.

The budget book 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.

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	18/19 Pressures / Savings	18/19 Draft Budget
Customer First	2,545,606	50,672	2,596,278	-125,135	2,471,143
Strategy and Commissioning	693,929	0	693,929	9,140	703,069
Commercial Services	2,363,198	-78,922	2,284,276	-71,915	2,212,361
Support Services	1,820,492	28,250	1,848,742	78,480	1,927,222
	7,423,225	0	7,423,225	-109,430	7,313,795

Funded by

Revenue Support Grant	223,284	0
Localised Business Rates	1,539,000	2,049,573
Business Rates Pilot Gain		460,000
Council Tax (an increase of 2.99% in 18/19)	4,356,612	4,524,706
Collection Fund Surplus	178,000	96,000
Transition Grant	30,689	0
Rural Services Delivery Grant (note 1)	372,638	0
New Homes Bonus	860,000	560,000
Less: Contribution to Earmarked Reserves	-277,000	-60,000
Less: Contribution (to)/from Budget		
Surplus Contingency Earmarked Reserve	140,002	0
Contribution to Future Financial Stability Earmarked Reserve	0	-316,484
	7,423,225	7,313,795

Note 1 - Rural Services Delivery Grant of £464,364 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 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1010	Customer Contact Centre	Anita Ley	226,600	0	226,600	800	-72,528	154,872
W1013	Localities	Richard Easthope	211,200	-3,000	208,200	-1,200	0	207,000
W1014	Case Management	Kate Hamp	921,556	-13,450	908,106	50,500	0	958,606
W1015	Specialists	Drew Powell	751,700	0	751,700	42,300	0	794,000
W1020	Planning Applications & Advice	Pat Whymer	-210,194	-16,601	-226,795	0	-74,500	-301,295
W1030	Economic Development	Darren Arulvasagam	76,191	200	76,391	0	-12,530	63,861
W1034	Planning Policy	Tom Jones	4,800	-4,800	0	0	0	0
W1040	Local Land Charges	Tom Jones	-84,434	-4,372	-88,806	0	0	-88,806
W1060	Community Development	Tom Jones	54,400	-500	53,900	0	-2,500	51,400
W1102	Tamar Valley Trust	Tom Jones	48,000	82	48,082	0	0	48,082
W1160	10 St James Okehampton	Chris Brook	21,304	-1,582	19,722	0	-19,722	0
W1161	Kilworthy Park Offices	Chris Brook	307,558	-70,538	237,020	2,900	35,731	275,651
W1200	Public Transport Assistance	Tom Jones	20,785	0	20,785	0	0	20,785
W1250	CoP Leads & Group Manager	Drew Powell	134,900	0	134,900	5,100	0	140,000
W1310	Leisure Centres	Chris Brook	205,235	185,108	390,343	0	0	390,343
W1311	Outdoor Sports and Recreation	Chris Brook	16,510	0	16,510	0	0	16,510
W1365	Flood Defence & Land Drainage	Chris Brook	21,489	-21,489	0	0	0	0
W1400	Other Employment Estates	Chris Brook	-52,163	37,621	-14,542	0	4,014	-10,528
W1501	General Health	Ian Luscombe	19,600	-4,630	14,970	0	0	14,970
W1503	Public Health	Ian Luscombe	-4,700	0	-4,700	0	-5,000	-9,700
W1531	Licensing	Ian Luscombe	-84,351	0	-84,351	0	0	-84,351
W1533	Pest Control	Ian Luscombe	14,493	0	14,493	0	0	14,493
W1534	Pollution Control	Ian Luscombe	-3,471	0	-3,471	0	0	-3,471
W1535	Food Safety	Ian Luscombe	5,698	0	5,698	0	0	5,698
W1544	Community Safety	Ian Luscombe	5,200	-200	5,000	0	0	5,000
W1545	Emergency Planning	Ian Luscombe	1,870	3,500	5,370	0	0	5,370
W1551	Homelessness	Isabel Blake	138,547	0	138,547	0	-10,000	128,547
W1552	Housing Advice	Isabel Blake	1,600	-400	1,200	0	0	1,200
W1553	Housing Enabling	Isabel Blake	2,933	-2,693	240	0	0	240
W1555	Private Sector Housing Renewal	Isabel Blake	15,700	0	15,700	0	0	15,700
W1565	Housing Benefit Payments	Isabel Blake	185,953	0	185,953	0	-85,000	100,953
W1568	Housing Benefit Administration	Isabel Blake	44,584	-174,571	-129,987	0	16,500	-113,487
W1571	Council Tax Collection	Isabel Blake	-473,487	198,987	-274,500	0	0	-274,500
W1574	Council Tax Support	Isabel Blake	0	-56,000	-56,000	0	0	-56,000
			2,545,606	50,672	2,596,278	100,400	-225,535	2,471,143

			17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1010	Customer Contact Centre	Note						
	Staff Costs	*	392,100	0	392,100	-21,800	-72,528	297,772
	Transport Costs		1,800	0	1,800	0	0	1,800
	Income							
	Staff Recharges		-167,300	0	-167,300	22,600	0	-144,700
	Net Expenditure		226,600	0	226,600	800	-72,528	154,872
	* Savings arising from closure of Okehampton Office (£63k) and cessation of cash and cheques (£10k)							

			17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1013	Localities							
	Staff Costs		238,400	0	238,400	-7,000	0	231,400
	Transport Costs		24,200	-3,000	21,200	0	0	21,200
	Income							
	Staff Recharges		-51,400	0	-51,400	5,800	0	-45,600
	Net Expenditure		211,200	-3,000	208,200	-1,200	0	207,000

			17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1014	Case Management							
	Staff Costs	*	1,153,256	-86,256	1,067,000	77,900	0	1,144,900
	Transport Costs		2,800	0	2,800	0	0	2,800
	Income							
	Staff Recharges		-234,500	0	-234,500	-27,400	0	-261,900
	Net Expenditure		921,556	-86,256	835,300	50,500	0	885,800
	* 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	17/18	17/18 After			18/19
		Budget	Virements	Virements	Salaries	MTFS	Budget
W1015	Specialists						
	Staff Costs	1,102,700	0	1,102,700	70,100	0	1,172,800
	Transport Costs	20,500	0	20,500	0	0	20,500
	Supplies and Services	400	0	400	0	0	400
	Income						
Staff Recharges	-371,900	0	-371,900	-27,800	0	-399,700	
	Net Expenditure	751,700	0	751,700	42,300	0	794,000

* 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	17/18	17/18 After			18/19
		Budget	Virements	Virements	Salaries	MTFS	Budget
W1020	Planning Applications & Advice						
	Supplies and Services	27,360	4,490	31,850	0	0	31,850
	Capital Charges	21,091	-21,091	0	0	0	0
	Income						
	Fees and Charges	-258,645	0	-258,645	0	-74,500	-333,145
	Net Expenditure	-210,194	-16,601	-226,795	0	-74,500	-301,295

* Increase in planning fees based on activity (£15k), increase arising from 20% increase in fee (£53k) and additional planning incomes (£6.5k)

		17/18	17/18	17/18 After			18/19
		Budget	Virements	Virements	Salaries	MTFS	Budget
W1030	Economic Development						
	Supplies and Services	64,491	-300	64,191	0	-13,000	51,191
	Net Expenditure	76,191	200	76,391	0	-12,530	63,861

* Reductions in partnership funding (£13k)

		17/18	17/18	17/18 After			18/19
		Budget	Virements	Virements	Salaries	MTFS	Budget
W1034	Planning Policy						
	Supplies and Services	6,300	-6,300	0	0	0	0
	Income						
Fees and Charges	-1,500	1,500	0	0	0	0	
	Net Expenditure	4,800	-4,800	0	0	0	0

		17/18	17/18	17/18 After			18/19
		Budget	Virements	Virements	Salaries	MTFS	Budget
W1040	Local Land Charges						
	Premises Costs	4,372	-4,372	0	0	0	0
	Supplies and Services	3,890	0	3,890	0	0	3,890
	Third Party Payments	17,550	0	17,550	0	0	17,550
	Income						
Fees and Charges	-110,246	0	-110,246	0	0	-110,246	
	Net Expenditure	-84,434	-4,372	-88,806	0	0	-88,806

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	17/18	17/18 After			18/19
		Budget	Virements	Virements	Salaries	MTFS	Budget
W1060	Community Development						
	Supplies and Services	54,400	-500	53,900	0	-2,500	51,400
	Net Expenditure	54,400	-500	53,900	0	-2,500	51,400

* Reduction in Partnership Grants (£2.5k)

		17/18	17/18	17/18 After			18/19
		Budget	Virements	Virements	Salaries	MTFS	Budget
W1102	Tamar Valley Trust						
	Premises Costs	52,250	82	52,332	0	0	52,332
	Supplies and Services	25,130	0	25,130	0	0	25,130
	Income						
	Fees and Charges	-13,330	-2,000	-15,330	0	0	-15,330
	Rent	-16,050	2,000	-14,050	0	0	-14,050
	Net Expenditure	48,000	82	48,082	0	0	48,082

		17/18	17/18	17/18 After			18/19
		Budget	Virements	Virements	Salaries	MTFS	Budget
W1160	10 St James Okehampton						
	Premises Costs	15,674	-2,190	13,484	0	-13,484	0
	Supplies and Services	4,930	0	4,930	0	-4,930	0
	Capital Charges	1,200	608	1,808	0	-1,808	0
	Income						
	Rent	-500	0	-500	0	500	0
	Net Expenditure	21,304	-1,582	19,722	0	-19,722	0
	* Closure of Okehampton Office						

		17/18	17/18	17/18 After			18/19
		Budget	Virements	Virements	Salaries	MTFS	Budget
W1161	Kilworthy Park Offices						
	Staff Costs	90,000	0	90,000	4,100	0	94,100
	Premises Costs	251,048	-2,763	248,285	0	10,731	259,016
	Transport Costs	3,136	-3,060	76	0	0	76
	Supplies and Services	37,924	2,560	40,484	0	0	40,484
	Capital Charges	110,000	-67,275	42,725	0	0	42,725
	Income						
	Fees and Charges	-4,000	0	-4,000	0	0	-4,000
	Rent	-161,550	0	-161,550	0	25,000	-136,550
	Recharges	-19,000	0	-19,000	-1,200	0	-20,200
	Net Expenditure	307,558	-70,538	237,020	2,900	35,731	275,651
	* Reduce income target for Kilworthy Park to align to actual income received						

		17/18	17/18	17/18 After			18/19
		Budget	Virements	Virements	Salaries	MTFS	Budget
W1250	CoP Leads & Group Manager						
	Staff Costs	255,800	0	255,800	9,700	0	265,500
	Transport Costs	3,900	0	3,900	0	0	3,900
	Income						
	Staff Recharges	-124,800	0	-124,800	-4,600	0	-129,400
	Net Expenditure	134,900	0	134,900	5,100	0	140,000

		17/18	17/18	17/18 After			18/19
		Budget	Virements	Virements	Salaries	MTFS	Budget
W1310	Leisure Centres						
	Premises Costs	54,435	-6,960	47,475	0	0	47,475
	Third Party Payments	10,000	0	10,000	0	0	10,000
	Capital Charges	140,800	192,068	332,868	0	0	332,868
	Net Expenditure	205,235	185,108	390,343	0	0	390,343

		17/18	17/18	17/18 After			18/19
		Budget	Virements	Virements	Salaries	MTFS	Budget
W1311	Outdoor Sports and Recreation						
	Supplies and Services	16,610	-100	16,510	0	0	16,510
	Income						
	Fees and Charges	-100	100	0	0	0	0
	Net Expenditure	16,510	0	16,510	0	0	16,510

		17/18	17/18	17/18 After			18/19
		Budget	Virements	Virements	Salaries	MTFS	Budget
W1365	Flood Defence & Land Drainage						
	Capital Charges	21,489	-21,489	0	0	0	0
	Net Expenditure	21,489	-21,489	0	0	0	0

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
Estates Management						
Premises Costs *	98,646	3,629	102,275	0	4,014	106,289
Supplies and Services	39,262	-3,250	36,012	0	0	36,012
W1400 Capital Charges	49,954	40,242	90,196	0	0	90,196
Income						
Fees and Charges	-10,500	0	-10,500	0	0	-10,500
Rent	-229,525	-3,000	-232,525	0	0	-232,525
Net Expenditure	-52,163	37,621	-14,542	0	4,014	-10,528

* Additional business rates and utilities costs (£4k)

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
General Health						
Premises Costs	580	-580	0	0	0	0
Supplies and Services	19,020	-4,050	14,970	0	0	14,970
Net Expenditure	19,600	-4,630	14,970	0	0	14,970

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
Public Health						
Supplies and Services	0	1,500	1,500	0	0	1,500
Income						
Fees and Charges	-4,700	-1,500	-6,200	0	-5,000	-11,200
Net Expenditure	-4,700	0	-4,700	0	-5,000	-9,700

* Additional income from Environmental Health Charges, mainly charging for food advice

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
Licensing						
Supplies and Services	23,560	0	23,560	0	0	23,560
Income						
Fees and Charges	-97,811	0	-97,811	0	0	-97,811
Net Expenditure	-74,251	0	-74,251	0	0	-74,251

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
Pest Control						
Supplies and Services	14,493	0	14,493	0	0	14,493
Net Expenditure	14,493	0	14,493	0	0	14,493

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
Pollution Control						
Supplies and Services	19,529	0	19,529	0	0	19,529
Income						
Fees and Charges	-23,000	0	-23,000	0	0	-23,000
Net Expenditure	-3,471	0	-3,471	0	0	-3,471

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
Food Safety						
Supplies and Services	5,698	0	5,698	0	0	5,698
Net Expenditure	5,698	0	5,698	0	0	5,698

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1544 Community Safety						
Supplies and Services	5,200	-200	5,000	0	0	5,000
Net Expenditure	5,200	-200	5,000	0	0	5,000

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1545 Emergency Planning						
Supplies and Services	1,870	3,500	5,370	0	0	5,370
Net Expenditure	1,870	3,500	5,370	0	0	5,370

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1551 Homelessness						
Supplies and Services *	282,737	0	282,737	0	-10,000	272,737
Income						
Recharges	-34,190	0	-34,190	0	0	-34,190
Rent	-110,000	0	-110,000	0	0	-110,000
Net Expenditure	138,547	0	138,547	0	-10,000	128,547

* Introduction of Direct Lets Scheme saving on bed and breakfast expenditure.

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1552 Housing Advice						
Staff Costs	470	0	470	0	0	470
Supplies and Services	1,130	-400	730	0	0	730
Net Expenditure	1,600	-400	1,200	0	0	1,200

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1553 Housing Enabling						
Staff Costs	98	0	98	0	0	98
Supplies and Services	5,000	0	5,000	0	0	5,000
Capital Charges	2,693	-2,693	0	0	0	0
Income						
Rent	-4,858	0	-4,858	0	0	-4,858
Net Expenditure	2,933	-2,693	240	0	0	240

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1555 Private Sector Housing Renewal						
Supplies and Services	15,700	0	15,700	0	0	15,700
Net Expenditure	15,700	0	15,700	0	0	15,700

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1565 Housing Benefit Payments						
Transfer Payments	12,647,000	0	12,647,000	0	-877,000	11,770,000
Government Grants	-12,461,047	0	-12,461,047	0	877,000	-11,584,047
Net Expenditure	185,953	0	185,953	0	0	185,953

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1568 Housing Benefit Administration						
Supplies and Services	13,000	0	13,000	0	0	13,000
Income	0	-142,987	-142,987	0	16,500	-126,487
Net Expenditure	44,584	-174,571	-129,987	0	16,500	-113,487

* Reduction in Housing Benefit administration subsidy grant

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1571 Council Tax Collection						
Government Grants	-283,987	198,987	-85,000	0	0	-85,000
Recharges	-189,500	0	-189,500	0	0	-189,500
Net Expenditure	-473,487	198,987	-274,500	0	0	-274,500

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Strategy and Commissioning Budgets - 2018/19

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W3001	Electoral Registration	89,745	0	89,745	2,900	0	92,645
W3041	Communications & Media CoP	57,630	0	57,630	7,600	0	65,230
W3050	Democratic Representation & Management	245,535	0	245,535	0	-3,500	242,035
W3051	Member Support & Democratic Services	69,550	0	69,550	3,100	0	72,650
W3075	Waste & Place Strategy	64,500	0	64,500	-4,000	0	60,500
W4501	Performance & Intelligence	128,500	0	128,500	3,040	0	131,540
W4510	Building Regulations	0	0	0	0	0	0
W4511	Other Building Control Work	38,469	0	38,469	0	0	38,469
		693,929	0	693,929	12,640	-3,500	703,069

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W3001	Electoral Registration						
	Staff Costs	61,300	0	61,300	2,900	0	64,200
	Premises Costs	1,500	0	1,500	0	0	1,500
	Transport Costs	200	0	200	0	0	200
	Supplies and Services	28,045	0	28,045	0	0	28,045
	Income						
	Recharges	-1,300	0	-1,300	0	0	-1,300
	Net Expenditure	89,745	0	89,745	2,900	0	92,645

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W3041	Communications & Media CoP						
	Staff Costs	80,160	0	80,160	9,200	0	89,360
	Transport Costs	500	0	500	0	0	500
	Supplies and Services	4,970	0	4,970	0	0	4,970
	Income						
	Recharges	-28,000	0	-28,000	-1,600	0	-29,600
	Net Expenditure	57,630	0	57,630	7,600	0	65,230

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W3050	Democratic Representation & Management						
	Members Allowances & Associated Costs	249,135	0	249,135	0	-3,500	245,635
	Income						
	Recharges	-3,600	0	-3,600	0	0	-3,600
	Net Expenditure	245,535	0	245,535	0	-3,500	242,035

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W3051	Member Support & Democratic Services						
	Staff Costs	69,150	0	69,150	3,100	0	72,250
	Transport Costs	400	0	400	0	0	400
	Net Expenditure	69,550	0	69,550	3,100	0	72,650

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W3075	Waste & Place Strategy						
	Staff Costs	115,800	0	115,800	3,200	0	119,000
	Transport Costs	700	0	700	0	0	700
	Income						
	Recharges	-52,000	0	-52,000	-7,200	0	-59,200
	Net Expenditure	64,500	0	64,500	-4,000	0	60,500

* Increased recharge reflects greater proportion of time spent on South Hams waste strategy work

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4501	Performance & Intelligence						
	Staff Costs	235,800	0	235,800	5,140	0	240,940
	Transport Costs	2,200	0	2,200	0	0	2,200
	Income						
	Recharges	-109,500	0	-109,500	-2,100	0	-111,600
	Net Expenditure	128,500	0	128,500	3,040	0	131,540

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
Building Regulations							
Staff Costs	*	0	0	0	0	0	0
Premises Costs	*	0	0	0	0	0	0
W4510 Transport Costs	*	0	0	0	0	0	0
Supplies and Services	*	0	0	0	0	0	0
Third Party Payment / Receipt	*	0	0	0	0	0	0
Income	*						
Fees and Charges	*	0	0	0	0	0	0
Net Expenditure		0	0	0	0	0	0

* The Building Control function has transferred to the Devon Building Control Partnership hosted by Teignbridge District Council and is now accounted for by Teignbridge.

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
Other Building Control Work							
Staff Costs		0	0	0	0	0	0
Transport Costs		0	0	0	0	0	0
Supplies and Services		0	0	0	0	0	0
W4511 Third Party Payment / Receipt		38,469	0	38,469	0	0	38,469
Income							
Fees and Charges		0	0	0	0	0	0
Net Expenditure		38,469	0	38,469	0	0	38,469

* The Building Control function has transferred to the Devon Building Control Partnership hosted by Teignbridge District Council . The third party payment represents the annual payment in respect of non-fee earning work undertaken by the Building Control Partnership on behalf of WDBC such as dangerous buildings.

Commercial Services Budget - 2018/19

			17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1306	Countryside Recreation	Chris Brook	10,080	0	10,080	0	0	10,080
W2017	Street Cleaning	Cathy Aubertin	474,401	3,280	477,681	0	5,000	482,681
W2101	Parking Overhead Account	Cathy Aubertin	-510,353	-5,866	-516,219	0	-210,209	-726,428
W2300	Landscape Maintenance	Cathy Aubertin	99,727	0	99,727	0	40,000	139,727
W2310	Dog Warden Service	Cathy Aubertin	3,922	-800	3,122	0	0	3,122
W2400	Public Conveniences Overheads Account	Cathy Aubertin	172,441	-472	171,969	0	8,768	180,737
W2701	Waste Contract	Cathy Aubertin	1,849,075	-58,248	1,790,827	0	243,000	2,033,827
W2713	Trade Waste	Cathy Aubertin	0	0	0	0	-15,000	-15,000
W2715	Garden Waste Collection	Cathy Aubertin	-67,500	0	-67,500	0	-122,500	-190,000
W2720	Waste & Recycling Services	Cathy Aubertin	92,300	0	92,300	-8,700	0	83,600
W2721	Waste Depots	Cathy Aubertin	65,405	-16,816	48,589	0	1,225	49,814
W2733	Other Commercial Services , Street Scene	Cathy Aubertin	173,700	0	173,700	-13,500	0	160,200
			2,363,198	-78,922	2,284,276	-22,200	-49,715	2,212,361

			17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W1306	Countryside Recreation							
	Premises Costs		3,570	0	3,570	0	0	3,570
	Supplies and Services		6,510	0	6,510	0	0	6,510
	Net Expenditure		10,080	0	10,080	0	0	10,080

			17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W2017	Street Cleaning							
	Premises Costs		7,750	3,600	11,350	0	0	11,350
	Supplies and Services		2,570	-320	2,250	0	0	2,250
	Third Party Payments	*	473,581	0	473,581	0	5,000	478,581
	Capital Charges		0	0	0	0	0	0
	Income		0					
	Recharges		-9,500	0	-9,500	0	0	-9,500
	Net Expenditure		474,401	3,280	477,681	0	5,000	482,681
	* Inflation provision on street cleaning contract (£5k)							

			17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W2101	Parking Overhead Account							
	Premises Costs	*	190,387	147	190,534	0	9,791	200,325
	Transport Costs		6,520	2,100	8,620	0	0	8,620
	Supplies and Services		38,420	-3,280	35,140	0	0	35,140
	Transfer Payments		50,000	0	50,000	0	0	50,000
	Third Party Payments		90,000	0	90,000	0	0	90,000
	Capital Charges		30,453	-4,833	25,620	0	0	25,620
	Income							
	Fees and Charges	*	-894,393	-13,020	-907,413	0	-220,000	-1,127,413
	Rent		-15,320	13,020	-2,300	0	0	-2,300
	Recharges		-6,420	0	-6,420	0	0	-6,420
	Net Expenditure		-510,353	-5,866	-516,219	0	-210,209	-726,428
	* Additional business rates (£9.8k)							
	* Additional car parking income (£220k)							
	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 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W2300	Landscape Maintenance							
	Premises Costs	*	8,600	0	8,600	0	40,000	48,600
	Supplies and Services		10,100	0	10,100	0	0	10,100
	Third Party Payments		95,927	-10,000	85,927	0	0	85,927
	Income							
	Recharges		-14,900	10,000	-4,900	0	0	-4,900
	Net Expenditure		99,727	0	99,727	0	40,000	139,727
	* Additional budget for dealing with trees (£40k)							

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W2310	Dog Warden Service						
	Transport Costs	4,200	-800	3,400	0	0	3,400
	Supplies and Services	5,922	0	5,922	0	0	5,922
	Income						
	Recharges	-6,200	0	-6,200	0	0	-6,200
	Net Expenditure	3,922	-800	3,122	0	0	3,122

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W2400	Public Conveniences Overheads Account						
	Premises Costs *	86,538	-504	86,034	0	3,768	89,802
	Transport Costs	1,000	-1,000	0	0	0	0
	Supplies and Services	3,810	-300	3,510	0	0	3,510
	Third Party Payments *	94,303	0	94,303	0	5,000	99,303
	Capital Charges	11,790	1,332	13,122	0	0	13,122
	Income						
	Fees and Charges	-2,500	0	-2,500	0	0	-2,500
	Recharges	-22,500	0	-22,500	0	0	-22,500
	Net Expenditure	172,441	-472	171,969	0	8,768	180,737
	* Additional business rates following and utilities cost (£3.8k)						
	* Inflation provision on public conveniences contract (£5k)						

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W2701	Waste Contract						
	Premises Costs *	5,000	284,864	289,864	0	15,000	304,864
	Supplies and Services *	100,677	-1,500	99,177	0	13,000	112,177
	Third Party Payments *	1,991,755	-284,864	1,706,891	0	190,000	1,896,891
	Capital Charges	56,748	-56,748	0	0	0	0
	Income						
	Sales	-1,050	0	-1,050	0	0	-1,050
	Fees and Charges	-6,705	0	-6,705	0	0	-6,705
	Other Grants and Contributions	-295,350	0	-295,350	0	25,000	-270,350
	Recharges	-2,000	0	-2,000	0	0	-2,000
	Net Expenditure	1,849,075	-58,248	1,790,827	0	243,000	2,033,827
	* Waste lease renewal (£15k) and revenue implications of capital budget (£13k)						
	* Additional costs of waste management and recycling contract (£190k)						
	* Reduction in Recycling credits (£25k)						

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W2715	Garden Waste Collection						
	Staff Costs *	40,000	0	40,000	0	0	40,000
	Supplies and Services *	92,500	0	92,500	0	0	92,500
	Income						
	Fees and Charges *	-200,000	0	-200,000	0	-122,500	-322,500
	Net Expenditure	-67,500	0	-67,500	0	-122,500	-190,000
	* Full year impact and growth of chargeable garden waste service which commenced during 2017/18.						

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W2720	Waste & Recycling Services						
	Staff Costs	181,900	0	181,900	-15,200	0	166,700
	Transport Costs	2,800	0	2,800	0	0	2,800
	Income						
	Recharges	-92,400	0	-92,400	6,500	0	-85,900
	Net Expenditure	92,300	0	92,300	-8,700	0	83,600

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W2721	Waste Depots						
	Premises Costs *	56,980	-391	56,589	0	1,225	57,814
	Transport Costs	0	0	0	0	0	0
	Supplies and Services	0	0	0	0	0	0
	Capital Charges	16,425	-16,425	0	0	0	0
	Income						
	Rent	-8,000	0	-8,000	0	0	-8,000
	Net Expenditure	65,405	-16,816	48,589	0	1,225	49,814
	* Additional Business Rates (£1.2k)						

		17/18	17/18	17/18 After			18/19
Other Commercial Services , Street Scene		Budget	Virements	Virements	Salaries	MTFS	Budget
W2733	Staff Costs	250,400	0	250,400	43,700	0	294,100
	Transport Costs	2,500	0	2,500	0	0	2,500
	Recharges	-79,200	0	-79,200	-57,200	0	-136,400
	Net Expenditure	173,700	0	173,700	-13,500	0	160,200

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Support Services Budget - 2018/19

			17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4001	Executive Directors	Neil Hawke	128,525	0	128,525	1,400	0	129,925
W4004	Corporate Training & Occ Health	Andy Wilson	22,183	0	22,183	0	0	22,183
W4009	Non Distributed Costs	Lisa Buckle	597,000	30,000	627,000	0	25,000	652,000
W4010	Inflation Provision/Pension Costs	Lisa Buckle	0	0	0	0	50,530	50,530
W4041	Internal Audit	Neil Hawke	17,100	0	17,100	2,900	0	20,000
W4082	Landlines	Mike Ward	21,950	6,020	27,970	0	0	27,970
W4084	ICT Software & Support Contracts	Mike Ward	170,484	47,849	218,333	0	80,000	298,333
W4085	Mobile Phones	Mike Ward	0	14,000	14,000	0	0	14,000
W4086	Client Hardware Replacement	Mike Ward	42,084	0	42,084	0	0	42,084
W4100	Human Resources CoP	Neil Hawke	34,140	13,800	47,940	-5,000	0	42,940
W4101	Legal CoP	Neil Hawke	135,200	0	135,200	1,900	0	137,100
W4102	Design CoP	Neil Hawke	22,200	0	22,200	1,200	0	23,400
W4103	Finance CoP	Neil Hawke	265,662	-104,099	161,563	100	0	161,663
W4104	ICT CoP	Neil Hawke	267,970	-26,991	240,979	11,400	0	252,379
W4150	Support Services Case Management	Rebecca Doyle	253,000	0	253,000	56,300	-24,750	284,550
W4160	Corporate Management	Steve Jordan	73,594	1,390	74,984	0	-8,000	66,984
W4163	LACC Project Support	Steve Jordan	0	0	0	0	0	0
W4180	Support Services Mgmt & O`Heads	Neil Hawke	95,514	15,550	111,064	11,100	0	122,164
W4196	Customer Support	Anita Ley	75,900	-13,800	62,100	5,500	0	67,600
W4199	Central Service Overheads	Neil Hawke	12,642	-2,000	10,642	0	0	10,642
W4200	Insurance Overhead	Neil Hawke	0	76,531	76,531	0	-35,000	41,531
W6021	Parish Support Grant	Lisa Buckle	112,853	0	112,853	0	-6,100	106,753
W6040	Interest payable	Lisa Buckle	-457,188	0	-457,188	0	0	-457,188
W6050	Interest & Investment Income	Lisa Buckle	-70,321	0	-70,321	0	-20,000	-90,321
W4020	Invest to Earn Initiatives	Darren Arulvasagam	0	0	0	0	-100,000	-100,000
W6101	Business Rates Income	Lisa Buckle	0	-30,000	-30,000	0	30,000	0
			1,820,492	28,250	1,848,742	86,800	-8,320	1,927,222

			17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4001	Executive Directors							
	Staff Costs		186,700	0	186,700	1,300	0	188,000
	Transport Costs		3,500	0	3,500	0	0	3,500
	Supplies and Services		625	0	625	0	0	625
	Income							
	Recharges		-62,300	0	-62,300	100	0	-62,200
	Net Expenditure		128,525	0	128,525	1,400	0	129,925

			17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4004	Corporate Training & Occ Health							
	Staff Costs		22,183	0	22,183	0	0	22,183
	Net Expenditure		22,183	0	22,183	0	0	22,183

			17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4009	Non Distributed Costs							
	Staff Costs		95,000	0	95,000	0	0	95,000
	Corporate Items	*	532,000	0	532,000	0	25,000	557,000
	Income							
	Business Rates Pooling Income		-30,000	0	0	0	0	0
	Net Expenditure		597,000	0	627,000	0	25,000	652,000
	* Triennial Pension revaluation							

			17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4041	Internal Audit							
	Staff Costs		12,700	0	12,700	2,900	0	15,600
	Supplies and Services		4,400	0	4,400	0	0	4,400
	Net Expenditure		17,100	0	17,100	2,900	0	20,000

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4082	Landlines						
	Supplies and Services	21,950	6,020	27,970	0	0	27,970
	Net Expenditure	21,950	6,020	27,970	0	0	27,970

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4084	ICT Software & Support Contracts						
	Supplies and Services	170,484	0	170,484	0	80,000	250,484
	Net Expenditure	170,484	0	170,484	0	80,000	250,484
	* ICT Support Contracts (£65k) + ageing network switches (£15k)						

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4086	Client Hardware Replacement						
	Supplies and Services	42,084	0	42,084	0	0	42,084
	Net Expenditure	42,084	0	42,084	0	0	42,084

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4100	Human Resources CoP						
	Staff Costs	31,500	13,800	45,300	-5,000	0	40,300
	Supplies and Services	2,640	0	2,640	0	0	2,640
	Net Expenditure	34,140	13,800	47,940	-5,000	0	42,940

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
	Legal CoP						
	Staff Costs	207,500	0	207,500	-5,400	0	202,100
W4101	Transport Costs	800	0	800	0	0	800
	Supplies and Services	18,000	0	18,000	0	0	18,000
	Income						
	Recharges	-91,100	0	-91,100	7,300	0	-83,800
	Net Expenditure	135,200	0	135,200	1,900	0	137,100

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4102	Design CoP						
	Staff Costs	22,200	0	22,200	1,200	0	23,400
	Net Expenditure	22,200	0	22,200	1,200	0	23,400

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
	Finance CoP						
	Staff Costs	166,200	0	166,200	20,600	0	186,800
	Transport Costs	300	0	300	0	0	300
W4103	Supplies and Services	76,781	-53,918	22,863	0	0	22,863
	Capital Charges	50,181	-50,181	0	0	0	0
	Income						
	Recharges	-27,800	0	-27,800	-20,500	0	-48,300
	Net Expenditure	265,662	-104,099	161,563	100	0	161,663
	* Reorganisation changes with member of staff moving from Finance CoP to Strategy and Commissioning						

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
ICT CoP						
Staff Costs	295,600	-16,100	279,500	12,600	0	292,100
Premises Costs	1,111	-1,111	0	0	0	0
W4104 Transport Costs	1,100	0	1,100	0	0	1,100
Supplies and Services	2,259	0	2,259	0	0	2,259
Capital Charges	9,780	-9,780	0	0	0	0
Income						
Recharges	-41,880	0	-41,880	-1,200	0	-43,080
Net Expenditure	267,970	-26,991	240,979	11,400	0	252,379

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
Support Services Case Management						
Staff Costs	326,600	0	326,600	104,900	-24,750	406,750
Transport Costs	700	0	700	0	0	700
W4150 Supplies and Services	33,500	0	33,500	0	0	33,500
Income						
Recharges	-107,800	0	-107,800	-48,600	0	-156,400
Net Expenditure	253,000	0	253,000	56,300	-24,750	284,550

* Reorganisation with a number of members of staff moving to case management from other cost centres (£56k) and savings from cessation of cheques and cash (£24.8k)

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4160 Corporate Management						
Supplies and Services	73,594	1,390	74,984	0	-8,000	66,984
Net Expenditure	73,594	1,390	74,984	0	-8,000	66,984

* Saving on audit fees (£8k)

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4180 Support Services Mgmt & O' Heads						
Staff Costs	100,600	16,100	116,700	12,700	0	129,400
Transport Costs	400	0	400	0	0	400
Supplies and Services	21,814	-550	21,264	0	0	21,264
Net Expenditure	122,814	15,550	138,364	12,700	0	151,064

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
Customer Support						
Staff Costs	92,800	-13,800	79,000	2,700	0	81,700
Transport Costs	200	0	200	0	0	200
Income						
Recharges	-17,100	0	-17,100	2,800	0	-14,300
Net Expenditure	75,900	-13,800	62,100	5,500	0	67,600

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4199 Central Service Overheads						
Supplies and Services	13,542	-2,000	11,542	0	0	11,542
Income						
Recharges	-900	0	-900	0	0	-900
Net Expenditure	12,642	-2,000	10,642	0	0	10,642

	17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W6021 Parish Support Grant						
Corporate Items	112,853	0	112,853	0	-6,100	106,753
Net Expenditure	112,853	0	112,853	0	-6,100	106,753

* Reduction in Parish Council Support Grant (£6.1k)

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W6040 Interest payable							
Capital Charges		-417,188	0	-417,188	0	0	-417,188
Income							
Other Grants and Contributions		-40,000	0	-40,000	0	0	-40,000
Net Expenditure		-457,188	0	-457,188	0	0	-457,188

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W6050 Interest & Investment Income							
Interest	*	-70,321	0	-70,321	0	-20,000	-90,321
Net Expenditure		-70,321	0	-70,321	0	-20,000	-90,321
* Extra Treasury Management Income (£20k)							

		17/18 Budget	17/18 Virements	17/18 After Virements	Salaries	MTFS	18/19 Budget
W4020 Invest to Earn Initiatives							
Interest	*	0	0	0	0	-100,000	-100,000
Net Expenditure		0	0	0	0	-100,000	-100,000
* Investment Income from Commercial Property (£100k)							

Report to: **Audit Committee**
Date: **20 March 2018**
Title: **Shared Services Methodology 2017/18**
Portfolio Area: **Support Services – Councillor C Edmonds**

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**
01803 861413

Recommendations:

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

1. Executive summary

The methodology for the apportionment of costs (predominantly staffing costs) between West Devon Borough Council and South Hams District 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.

West Devon Borough Council and South Hams District 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 West Devon Borough Council and South Hams District 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

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
Strategy and Commissioning			
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
Customer First			
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

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
Commercial Services			
Waste	80%/20% 100%/0% 60%/40%	Dependent on specific activity	Each role is assessed
Facilities	70%/30%	Time allocation	N/A
Support Services			
Media COP	50%/50%	Time allocation	N/A
HR COP	79%/21%	Permanent posts on the establishment	South Hams – 397 West Devon - 105
Legal COP	60%/40%	Time allocation	N/A
Finance COP	60%/40%	Time allocation	N/A
ICT Infrastructure team	50%/50%	Time allocation	N/A
ICT Helpdesk team	60%/40%	Time allocation	N/A
Case Management Support Services	60%/40%	Time allocation	N/A
Digital Mailroom	65%/35%	Time allocation	N/A

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
Internal Audit	Various and as per team member 80%/20% for both staff members	Time recording of productive time only	N/A – time recording
Extended Leadership Team	Various splits of individual posts, some 50%/50% and some 60%/40%	Time allocation	N/A
Senior Leadership Team	All 50%/50% with the exception of the Group Manager for Commercial Services (60%/40%)	Time allocation	N/A

Report to: **Audit Committee**
Date: **20 March 2018**
Title: **Sundry Debt Update Report**
Portfolio Area: **Support Services – Cllr C Edmonds**

Wards Affected: **ALL**

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

Author: Sonia Powell Role: Case Management Manager

Contact: **Email sonia.powell@swdevon.gov.uk**
01803 861361

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 1st October 2017.

- 1.1 The Strategic Debt Review Update to 31st December 2017, was presented at Audit Committee 30th 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 £448.1k in August 2017 and £245.9k at the end of December 2017. The figure for end of February 2018 is £218.9k.
- 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 19th September, 2017 (App. C) outlined the findings of the Strategic Debt Review and included an overview of the Debt Recovery Plan approved by SLT. Aged debt on 31 August 2017 was £448.1k.

<http://mg.swdevon.gov.uk/documents/g560/Public%20reports%20pack%2019th-Sep-2017%2014.00%20West%20Devon%20Audit%20Committee.pdf?T=10>

- 2.2 The Audit Committee report on 30th January 2018 (App. D) reports the progress made in terms of approach to recovery and collection of debt, identifying outstanding debt at £245.9k, showing an improved position in the 4 month period of £202.2k.

<http://mg.swdevon.gov.uk/ieListDocuments.aspx?Cid=130&Mid=561>

- 2.3 Work was being undertaken to identify Write offs which would be reflected in 2017/18 Accounts.
- 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 2nd January 2018, additional support is provided by up to 6 other case managers as required. Approval for the recruitment of a Level 6 Case Manager to the Debt Recovery Team has been submitted to SLT and is to be funded from recovered Housing Benefits Overpayments.
- 3.2 By the end of February 2018 the outstanding debt has reduced by a further £27k to £218.9k.
- 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 14th 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 the Hub Committee in 2018-19 and would be fully provided for in the year end debt provision.
- 3.4 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.

- 3.5 A full review of the debt recovery process has taken place resulting in a recommended shortened recovery period, to commence from 1st April 2018;
- 1st 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.
- 3.6 Use of Money Claim Online is targeted for full commencement from 1st 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	<p>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.</p> <p>Enforcing successful legal action for recovery of debt is dependent upon a robust system of ensuring correct business names are recorded within our systems.</p>
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 30th January 2018 - Strategic Debt Review

Report to: **Audit Committee**
Date: **20 March 2018**
Title: **2018/19 Internal Audit Plan**
Portfolio Area: **Support Services – Cllr C Edmonds**
Wards Affected: **All**
Relevant Scrutiny Committee: **Overview and Scrutiny**

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

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

Contact: Dominic.measures@swdevon.gov.uk 01803 861375
Robert.hutchins@swdevon.gov.uk 01392 383000

RECOMMENDATION

It is RECOMMENDED that the:

- 1. report be approved, and**
- 2. 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 West Devon Borough Council and South Hams District 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 West Devon Borough Council, are subject to the Accounts and Audit (England) Regulations 2015, which state:

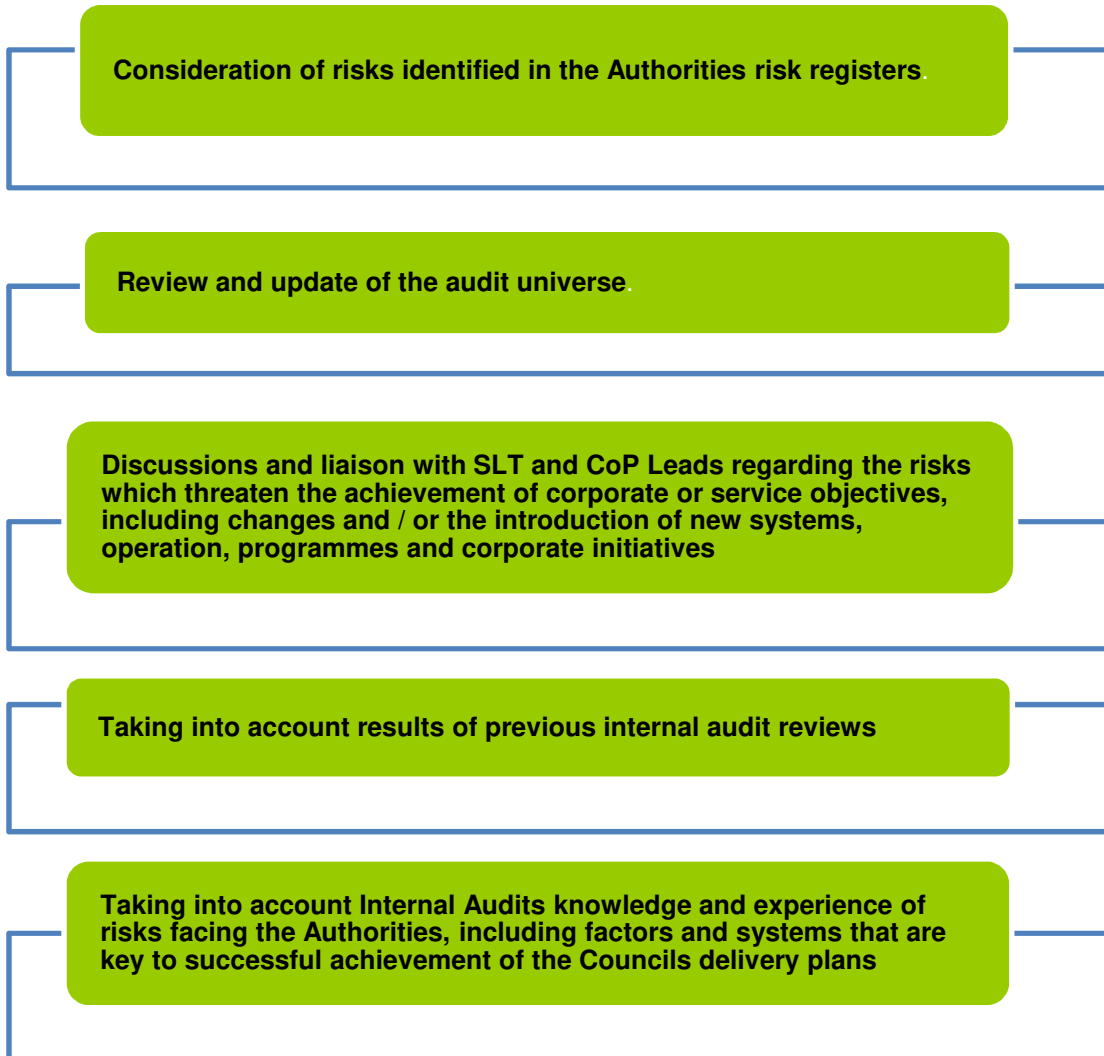
“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 2.2 The Public Sector Internal Audit Standards require that the Head of 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 West Devon Borough Council and South Hams District Council, known as the “Audit Universe” using a number of factors/criteria. The

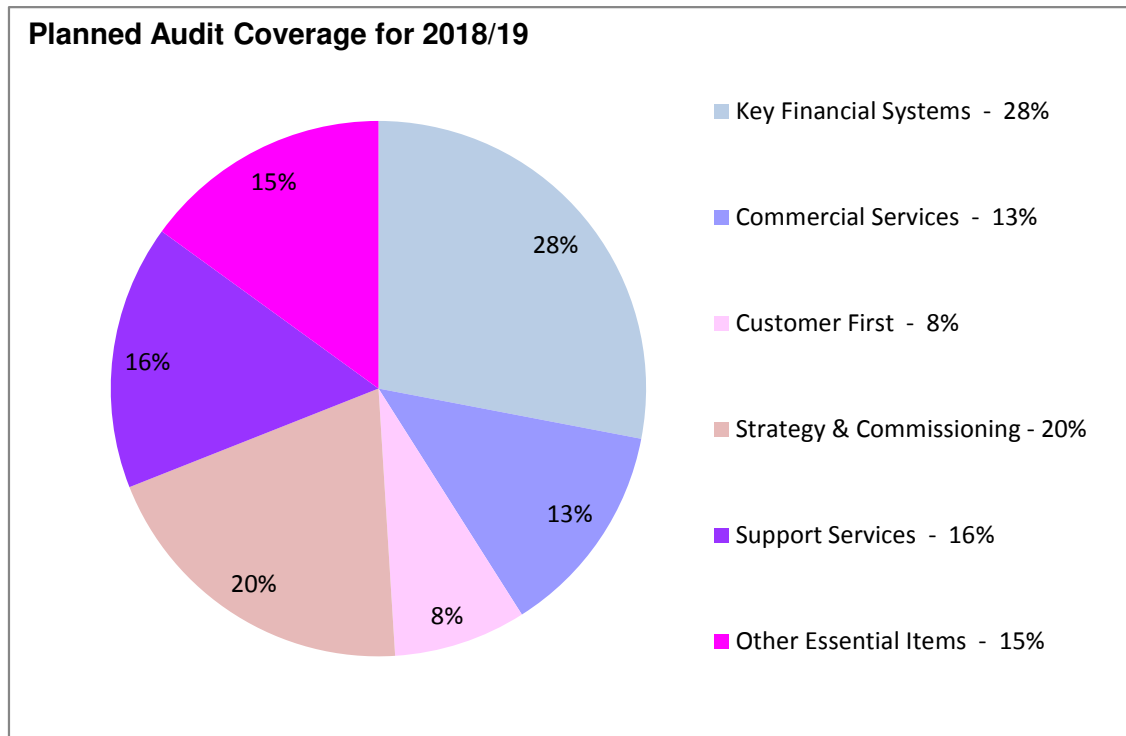
final score, or risk factor for each area determines an initial schedule of priorities for audit attention.

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:

Appendix A – Draft 2018/19 Internal Audit Plan

Background Papers:

None.

Appendix A

Proposed 2018/19 Combined Audit Plan for West Devon Borough Council and South Hams District Council		
	Priority/ Risk	Days
KEY FINANCIAL SYSTEMS		
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
KEY FINANCIAL SYSTEMS		120
COMMERCIAL SERVICES		
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
COMMERCIAL SERVICES		54
CUSTOMER FIRST		
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
CUSTOMER FIRST		35
STRATEGY & COMMISSIONING		
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
STRATEGY & COMMISSIONING		87
SUPPORT SERVICES		
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
SUPPORT SERVICES		69
OTHER ESSENTIAL ITEMS		
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
OTHER ESSENTIAL ITEMS		65
TOTAL AUDIT PLAN		430

Report to: **Audit Committee**

Date: **20 March 2018**

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

Portfolio Area: **Strategy & Commissioning**
Cllr Philip Sanders

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**

Contact: Darren.Arulvasagam@swdevon.gov.uk
01803 861222

RECOMMENDATION

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 West Devon Borough Council on 17th 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 17 May 2012 resolved to adopt the Joint Risk Management Policy.

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.
Comprehensive Impact Assessment Implications		
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

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

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	WDBC 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 WDBC with adequate reserves to meet unforeseen circumstances, due to cost pressures and reduced income, 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 is 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 communicated.	Slightly improved position for both Councils due to successful bid for Business Rates Pilot and additional Rural Services Grant funding being awarded, however these are only one-off amounts of funding for 2018/19. Member Financial Stability Group formed in WD, 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 area 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					5	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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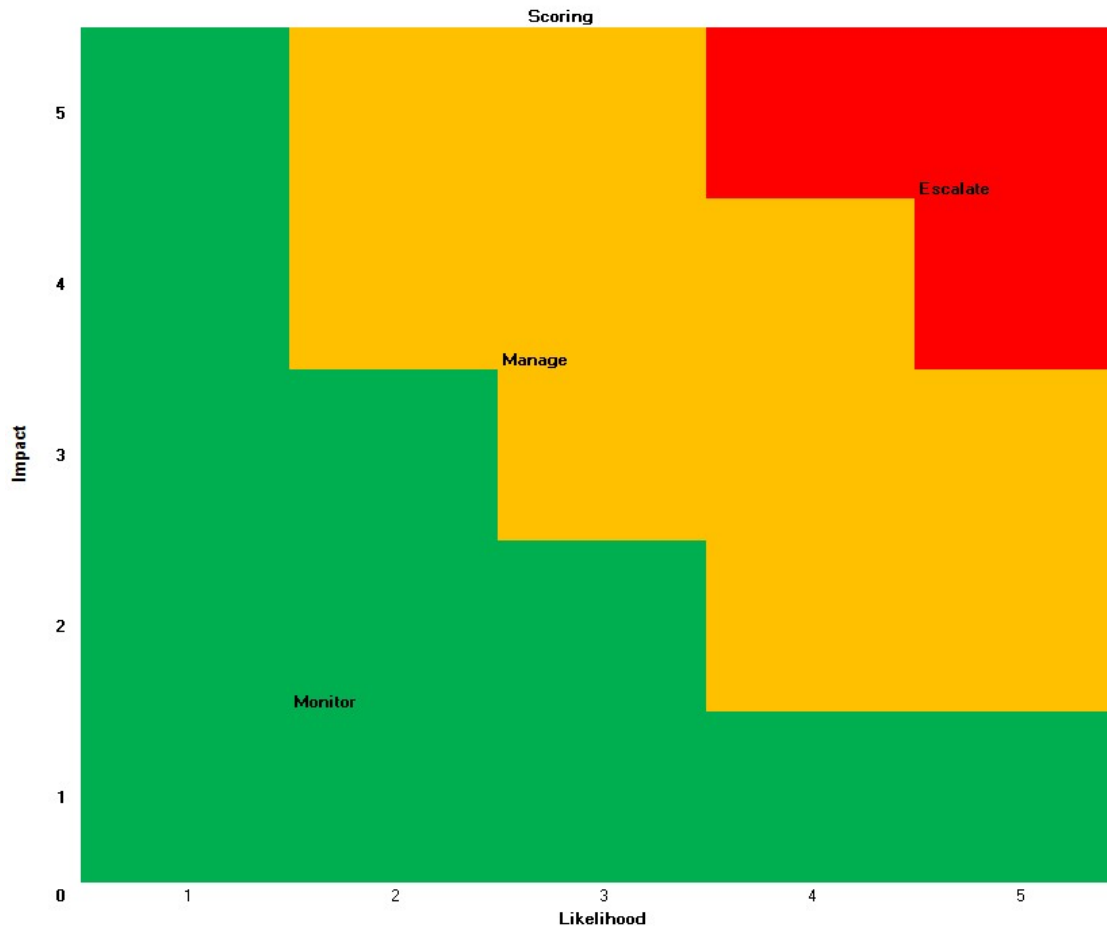
Appendix 2 - Risk Scoring Matrix

#	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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