

Committee Agenda



**Epping Forest
District Council**

Finance and Performance Management Cabinet Committee Thursday, 14th September, 2017

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

**Committee Room 1, Civic Offices, High Street, Epping
on Thursday, 14th September, 2017
at 7.00 pm .**

**Glen Chipp
Chief Executive**

**Democratic Services
Officer**

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

Members:

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

PLEASE NOTE THE START TIME OF THIS MEETING

BUSINESS

1. APOLOGIES FOR ABSENCE

2. SUBSTITUTE MEMBERS

(Director of Governance) To report the appointment of any substitute members for the meeting.

3. DECLARATIONS OF INTEREST

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

4. MINUTES (Pages 5 - 10)

To confirm the minutes of the last meeting of the Committee held on 20 July 2017.

**5. KEY PERFORMANCE INDICATORS - 2017/18 QUARTER 1 PERFORMANCE
(Pages 11 - 20)**

(Director of Resources) To consider the attached report (FPM-008-2017/18).

**6. ANNUAL OUTTURN REPORT ON THE TREASURY MANAGEMENT AND
PRUDENTIAL INDICATORS 2016/17 (Pages 21 - 34)**

(Director of Resources) To consider the attached report (FPM-009-2017/18).

7. QUARTERLY FINANCIAL MONITORING (Pages 35 - 56)

(Director of Resources) To consider the attached report (FPM-010-2017/18).

8. RISK MANAGEMENT - CORPORATE RISK REGISTER (Pages 57 - 86)

(Director of Resources) To consider the attached report (FPM-011-2017/18).

9. ANNUAL GOVERNANCE REPORT (Pages 87 - 90)

(Director of Resources) To consider the attached report (FPM-012-2017/18). (The Annual Governance Report will follow as part of a supplementary agenda.)

10. ANY OTHER BUSINESS

Section 100B(4)(b) of the Local Government Act 1972, requires that the permission of the Chairman be obtained, after prior notice to the Chief Executive, before urgent business not specified in the agenda (including a supplementary agenda of which the statutory period of notice has been given) may be transacted.

11. EXCLUSION OF PUBLIC AND PRESS

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

Agenda Item No	Subject	Exempt Information Paragraph Number
Nil	Nil	Nil

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

Background Papers: Article 17 - Access to Information, Procedure Rules of the Constitution define background papers as being documents relating to the subject matter of the report which in the Proper Officer's opinion:

- (a) disclose any facts or matters on which the report or an important part of the report is based; and
- (b) have been relied on to a material extent in preparing the report and does not include published works or those which disclose exempt or confidential information and in respect of executive reports, the advice of any political advisor.

The Council will make available for public inspection for four years after the date of the

meeting one copy of each of the documents on the list of background papers.

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EPPING FOREST DISTRICT COUNCIL COMMITTEE MINUTES

Committee: Finance and Performance **Date:** Thursday, 20 July 2017
Management Cabinet Committee

Place: Committee Room 1, Civic Offices, **Time:** 7.00 - 7.45 pm
High Street, Epping

Members Present: Councillors G Mohindra (Chairman), A Lion, C Whitbread and J Philip

Other Councillors:

Apologies: S Stavrou

Officers Present: R Palmer (Director of Resources), D Bailey (Head of Transformation) and R Perrin (Democratic Services Officer)

8. **Substitute Members**

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

9. **Declarations of Interest**

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

10. **Minutes**

RESOLVED:

That the minutes of the meeting held on 22 June 2017 be taken as read and signed by the Chairman as a correct record.

11. **Financial Issues Paper**

The Director of Resources advised that the report provided a framework for the Budget 2018/19 and updated Members on a number of financial issues that would affect the Authority in the short to medium term. He advised that following the General Election result on 8 June 2018, the outcome of the Government being weakened greatly limited their legislative ambition and with the Brexit negotiations there had been little point in updating the MTFS for anything other than the 2016/17 outturn. There had also been concerns over the policies that had been previously mentioned by the Government such as devolution, housing, planning and the fair funding review before the General Election but had not featured in the recent Queen's Speech.

The Director of Resources advised that the following issues represented the greatest areas of current financial uncertainty and risk to the Authority;

Central Government Funding – the Settlement Funding Assessment (SFA) would reduced over the next four years by £2.43m (45%) and exceed the SFA in 2019/20,

creating a negative Revenue Support Grant. The Fair Funding Review, which concerned the funding formulae for devolved administrations, had not been mentioned in the Queen's Speech and the existing approach of an annual reduction being applied to the old formula amounts to achieve the desired overall reduction in funding would be likely to continue.

Business Rates Retention - There had been very little growth anticipated after 2016/17, despite the building of the retail park and other known likely developments within the district. It was the first year which would be billed using the new rating list which would be a particularly challenging year for estimating business rates. There were also still hundreds of appeals outstanding on the old lists and based on previous experience and discussions with the Valuation Office, the total provision against appeals was currently £3.5m. Furthermore the 100% local retention of business rates had been not mentioned in the Queen's Speech and appeared to be on hold and the Council remained in the business rates pool for 2017/18, which would be monitored for future pooling.

Welfare Reform - The Local Council Tax Support (LCTS) scheme overall had been a success with the collection of some Council Tax from most of the people receiving support. There had been no significant changes proposed for 2018/19, to allow sufficient time to understand the consequences of changes with the National Living Wage and tax credits. The introduction of the Benefits Cap limit to the total amount of benefits a household could receive in a year to £26,000 and the further reduction by £6,000 to £20,000 was likely to cause greater changes in people's behavior and working patterns. The lower cap had been phased in across the country during 2016/17 and early indications were that 157 claimants in the district would be affected. Universal Credit (UC) still continued to progress slowly with some post codes in the district being affected from September 2017 and new claims being fully covered by September 2018. The clarity over the time period and process for the migration of existing housing benefit claims to UC and the role local authorities would perform under the new system were still awaited. The grant paid to local authorities to administer housing benefit would also see a further reduction of £42,000, which had been a cut of over 10%.

New Homes Bonus - The reductions in New Homes Bonus (NHB) for 2017/18 had been far greater than had been anticipated with a reduction of £2.5m over the period from 2016/17 to 2020/21. Furthermore, a reduction in the number of year's payable from 6 to 4 was being implemented, reducing to 5 years in 2017/18 followed by the full reduction to 4 years in 2018/19. There was also a proposal to withhold NHB from authorities that had not got a Local Plan in place or to reduce payments where planning approval had been granted on appeal, which had not been introduced for 2017/18 but would be considered again for 2018/19.

Development Opportunities - There had been some slippage in the programme for the retail park relating to the highway works although most of the large units had now been let. Negotiations were also continuing with potential tenants with indications that the projected rent levels should be achieved and the budgeted allowance for tenant incentives would not be exceeded. The MTFS included a prudent view of £2.2m to allow for any shortfall, management costs and interest. Progress had been less encouraging with the mixed use re-development of the St Johns area in Epping because of the length of time it had taken for the land acquisition from ECC and negotiations about the provision for a cinema in the development agreement being protracted. The former Winston Churchill pub site was progressing well and the ground floor retail element income was anticipated to be approximately £350,000 and should commence in 2018/19. The underspend on the capital programme, and the additional revenue contribution from the General Fund, had meant it was possible to

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finance the capital programme in 2016/17 without any additional borrowing. However, this would not be possible for 2017/18 and going forward due to capital no longer be freely available and borrowing costs would need to be included in the project appraisals.

Transformation – Members had made the strategic choice to concentrate services in the new building, so that the Conder Building and rear extension part of the Civic Offices site could be freed up for redevelopment. The second phase of the review was now underway to produce indicative floor plans, a sequential schedule of works and more detailed costings which would allow Cabinet to determine the future configuration of the Civic offices and make appropriate provision in the 2018/19 budget. The Head of Customer Services had now been in post for over 6 months and good progress had been seen on a number of initiatives, including the work on customer contact which was likely to significantly change the structure and working practices of the Council. The Invest to Save budget had £406,000 in the fund at the end of 2016/17, although only £59,000 of this was unallocated.

Waste and Leisure Contracts - The waste service had been procured at a lower cost and the savings had been included in the MTFS. However, issues with recycling and service delivery had meant that CSB growth of nearly £0.5m had been included in the revised estimates for 2016/17, together with £0.2m of DDF expenditure which would not be sustainable in the long term. There were various options being discussed with Biffa at the Waste Management Partnership Board to examine how the overall costs could be reduced in future years. The new leisure contract had started on 1 April 2017 with Places for People for a period of 20 years. Over the lifetime of the contract the average CSB savings would be more than £1m per year and because the payments under the contract varied considerably between years, the CSB savings were phased in over the first four years of the contract. It was noted that given the length and value of the contract it could be necessary to amend some of the assumptions and amounts as time progressed.

Miscellaneous – It was noted that Members should be advised of a potential recession as the economy had continued on a path of very limited growth and was now under pressure from higher inflation. Consequently, Development Control and rent from the commercial estate could suffer with a reduction in income and be magnified, as the proportion of income coming from retained business rates decreased and the pressure on services increased within benefits and homelessness. There was also the Council's single largest cost, which was the annual pay bill of around £22m, which had been capped at 1% for several years. There was talk of changing this, but every 1% pay award exceeding the 1% would add £220,000 to the CSB. The unions had submitted a 5% pay claim and while this was unlikely to be achieved the award for 2018/19, it could exceed 1% altering the MTFS.

The Cabinet Committee noted that there were a lot of unknowns at this point and that come October 2017, they would hopefully have more information on the policies coming forward and effects these would have on local authorities finance.

Recommended:

(1) That the establishment of a new budgetary framework including the setting of budget guidelines for 2018/19 be set including;

(a) The ceiling for Continuing Services Budget next expenditure be no more than £12,920 million including net growth;

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- (b) The ceiling for District Development Fund expenditure be no more than £929,000;
 - (c) The balances continue to be aligned to the Council's net budget requirement and that balances be allowed to fall no lower than 25% of the net budget requirement; and
 - (d) The District Council Tax not be increased, with Council tax for a Band 'D' property remaining at £148.77.
2. That a revised Medium Term Financial Strategy for the period to 2020/21 be developed accordingly;
3. That communications of the revised Medium Term Financial Strategy to staff, partners and other stakeholders be undertaken; and
4. That the reductions in the parish support grants be implemented in equal stages to achieve complete removal by 2019/20.

Reasons for Decisions:

By setting out clear guidelines at this stage the Committee established a framework to work within in developing growth and savings proposals. This should help avoid late changes to the budget and ensure that all changes to services had been carefully considered.

Other Options Considered and Rejected:

Members could decide to wait until later in the budget cycle to provide guidelines if they felt more information, or a greater degree of certainty, were necessary in relation to a particular risk. However, any delay would reduce the time available to produce strategies that comply with the guidelines.

12. Any Other Business

Resolved:

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

- Corporate Plan 2018-2023.

13. Corporate Plan 2018-2023

The Head of Transformation reported that the Corporate Plan was the Council's highest level strategic document that covered the period 2018-2023. In consultation with Management Board, Leadership Team and Cabinet Members the Plan was being reviewed and updated with consultation being sort from the individual Select Committees, Overview and Scrutiny, Customers, Partners, Businesses and Staff.

The draft Corporate Plan had been produced in a way that could easily be understood by customers with the vision, purpose, corporate aims and objectives grouped under three themes; People, Place and Council. The intention was to base the performance reporting through benefits maps that marked out the flow of work left to right and replace the KPI's, Key Action Plan and Transformation Projects reports. The Head of Transformation advised that a traffic light system would be implemented

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on the benefits maps, which should in turn would help Managers and Members to manage by exception and show how performance related to achievements within the Corporate Plan.

The Cabinet Committee advised that they were happy with the design and layout of the document but the benefits and performance measurements need further work. The weakness in particular with Staff moral really needed to be referred to in the risk register rather than the corporate plan.

Recommended:

(1) That, subject to the amendments above, the Corporate Plan be recommended to Cabinet for approval.

Reasons for Decisions:

To inform the development of the proposed Corporate Plan 2018-2023, specifically the proposed Benefits and Performance Measures for 2018-2023.

Other Options Considered and Rejected:

No other options were available.

CHAIRMAN

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***Report to: Finance and Performance
Management Cabinet Committee***

Report reference: FPM-008-2017/18

Date of Meeting: 14 September 2017



**Epping Forest
District Council**

Portfolio: Governance and Development Management

Subject: Key Performance Indicators - 2017/18 Quarter 1 Performance

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

Democratic Services Officer: Rebecca Perrin (01992 564532)

Recommendations/Decisions Required:

- (1) That the Committee reviews Quarter 1 performance for the Key Performance Indicators adopted for 2017/18;
- (2) That the Committee identifies any Key Performance Indicators for 2017/18 that require in-depth scrutiny or further report on performance.

Executive Summary:

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

Reasons for Proposed Decision:

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

Other Options for Action:

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

Report:

1. A set of thirty-two (32) Key Performance Indicators (KPI) was adopted for 2017/18 in March 2017. The current KPIs were considered appropriate with the following changes:
 - RES009, RES010, and RES011 – the website indicators to be deleted;
 - COM006 - How many of the key building components required to achieve the Modern Homes Standard were renewed to be deleted; and
 - There were no new indicators recommended for 2017/18
2. The KPIs are important to the improvement of the Council's services and comprise a combination of former statutory indicators and locally determined performance measures. The aim of the KPIs is to direct improvement effort towards services and the national priorities and local challenges arising from the social, economic and environmental context of the district.
3. Progress in respect all of the KPIs is reviewed by Management Board and overview and scrutiny at the conclusion of each quarter, and service directors review KPI performance with the relevant portfolio holder(s) on an on-going basis throughout the year. Select Committees are each responsible for the review of quarterly performance against specific KPIs within their areas of responsibility.
4. Improvement plans are produced for KPIs, setting out actions to be implemented in order to achieve target performance, and to reflect changes in service delivery. In view of the corporate importance attached to the KPIs, the improvement plans are agreed by Management Board and are also subject to ongoing review between the relevant service director and Portfolio Holder over the course of the year.

Key Performance Indicators 2017/18 – Quarter 1 Performance

5. The position with regard to the achievement of target performance for the KPIs at the end of quarter 1 (30 June 2017), was as follows:
 - (a) 27 (84%) indicators achieved target;
 - (b) 5 (16%) indicators did not achieve target, although
 - (c) 1 (3%) of these indicators performed within the agreed tolerance for the indicator.
 - (d) 27 (84%) of indicators are currently anticipated to achieve year-end target and a further 1 (3%) are uncertain whether they will achieve year-end target.
6. A headline Q1 KPI performance report for 2017/18 is attached for the consideration of the Committee as Appendix 1 to this agenda. Detailed performance reports in respect of each of the KPIs are considered by the select committees with responsibility for those service areas. .
7. The 'amber' performance status used in the KPI report identifies those indicators that missed the agreed target for the year, but where performance was within an agreed tolerance or range (+/-). The KPI tolerances were agreed by Management Board when targets for the KPIs were set in March 2017.
8. The Committee is requested to review Q1 performance for the 2017/18 set of KPIs. Any matters raised by the Committee in respect of KPI performance, will be reported to the appropriate select committee.

Resource Implications: None for this report

Legal and Governance Implications: None for this report; however performance

management of key or new high level initiatives is important to the achievement of value for money.

Safer, Cleaner, Greener Implications: None for this report

Consultation Undertaken: The indicators have been considered by Management Board (16 August 2017) and relevant Select Committees during September and October 2017.

Background Papers: KPI submissions are held by the Performance Improvement Unit. Detailed KPI calculations and supporting documentation held by service directorates.

Impact Assessments:

Risk Management: None for this report

Equality: None for this report.

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Key Performance Indicators 2017/18 – Quarter 1 Performance Report

Appendix 1

Communities Quarterly Indicators	Q1 2017/18			Q2 2017/18			Q3 2017/18			Q4 2017/18			Is year-end target likely to be achieved?
	Target	Value	Status	Target	Value	Status	Target	Value	Status	Target	Value	Status	
COM001 Rent collected from current and former tenants as a percentage of rent due (excluding rent arrears brought forward).	99%	100.77%	✓	99%			99%			99%			Yes
COM002 On average, how many days did it take us to re-let a Council property?	37	32	✓	37			37			37			Yes
COM003 How satisfied were our tenants with the standard of the repairs service they received?	98%	100%	✓	98%			98%			98%			Yes
COM004 How many households were housed in temporary accommodation?	130	97	✓	130			130			130			Yes
COM005 What percentage of our council homes were not in a decent condition?	0%	0%	✓	0%			0%			0%			Yes
COM007 What percentage of all emergency repairs are attended to within 4 working hours?	99%	99.01%	✓	99%			99%			99%			Yes
COM008 What is the average overall time to complete responsive repairs?	7	4.87	✓	7			7			7			Yes
COM009 What percentage of appointments for repairs are both made and kept?	98%	99.01%	✓	98%			98%			98%			Yes
COM010 What percentage of calls to the council's Careline are answered within 60	97.5%	99.8%	✓	97.5%			97.5%			97.5%			Yes

Key Performance Indicators 2017/18 – Quarter 1 Performance Report

Appendix 1

Communities Quarterly Indicators	Q1 2017/18			Q2 2017/18			Q3 2017/18			Q4 2017/18			Is year-end target likely to be achieved?
	Target	Value	Status	Target	Value	Status	Target	Value	Status	Target	Value	Status	
seconds?													
Governance Quarterly Indicators	Q1 2017/18			Q2 2017/18			Q3 2017/18			Q4 2017/18			Is year-end target likely to be achieved?
	Target	Value	Status	Target	Value	Status	Target	Value	Status	Target	Value	Status	
GOV004 What percentage of major planning applications were processed within 13 weeks or extension of time date?	90%	100%	✓	90%			90%			90%			Yes
GOV005 What percentage of minor planning applications were processed within 8 weeks or extnsion of time date?	90%	95.73%	✓	90%			90%			90%			Yes
GOV006 What percentage of other planning applications were processed within 8 weeks or extension of time date?	94%	96.37%	✓	94%			94%			94%			Yes
GOV007 What percentage of planning applications recommended by planning officers for refusal were overturned and granted permission following an appeal ?	20%	11.76%	✓	20%			20%			20%			Yes
GOV008 What percentage of planning applications, refused by Council	50%	42.86%	✓	50%			50%			50%			Yes

Key Performance Indicators 2017/18 – Quarter 1 Performance Report

Appendix 1

Governance Quarterly Indicators	Q1 2017/18			Q2 2017/18			Q3 2017/18			Q4 2017/18			Is year-end target likely to be achieved?
	Target	Value	Status	Target	Value	Status	Target	Value	Status	Target	Value	Status	
Members against the recommendation of the planning officers, were granted permission to appeal?													
Neighbourhoods Quarterly Indicators	Q1 2017/18			Q2 2017/18			Q3 2017/18			Q4 2017/18			Is year-end target likely to be achieved?
	Target	Value	Status	Target	Value	Status	Target	Value	Status	Target	Value	Status	
NEI001 How much non-recycled waste was collected for every household in the district?	95	105		196			296			400			No
NEI003 What percentage of our district had unacceptable levels of litter?	8%	10.97%		8%			8%			8%			No
NEI004 What percentage of our district had unacceptable levels of detritus (dust, mud, stones, rotted leaves, glass, plastic etc.)?	10%	4.83%		10%			10%			10%			Yes
NEI005 What percentage of the issues and complaints received by the Environment & Neighbourhoods Team received an initial response within 3 days?	95.5%	98.19%		95.5%			95.5%			95.5%			Yes
NEI006 What percentage of the recorded incidences of fly-tipping are investigated within 3	90%	98.72%		90%			90%			90%			Yes

Key Performance Indicators 2017/18 – Quarter 1 Performance Report

Appendix 1

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Neighbourhoods Quarterly Indicators	Q1 2017/18			Q2 2017/18			Q3 2017/18			Q4 2017/18			Is year-end target likely to be achieved?
	Target	Value	Status	Target	Value	Status	Target	Value	Status	Target	Value	Status	
working days of being recorded?													
NEI007 What percentage of recorded incidences of fly-tipping (contract cleared) are removed within 5 working days of being recorded?	90%	92.77%	✓	90%			90%			90%			Yes
NEI008 What percentage of the recorded incidences of fly-tipping (variation order/non contract) are removed within 10 working days of being recorded?	90%	94.74%	✓	90%			90%			90%			Yes
NEI009 What percentage of out of hours (OOH) noise complaints are responded to within 15 minutes?	90%	90.4%	✓	90%			90%			90%			Yes
NEI011 What percentage of the rent we were due to be paid for our commercial premises was not paid?	2%	1.51%	✓	2%			2%			2%			Yes
NEI012 What percentage of our commercial premises were let to tenants?	98%	98.90%	✓	98%			98%			98%			Yes
NEI013 What percentage of all household waste was sent to be recycled or reuse?	26%	23.75%	✗	26%			26%			26%			No
NEI014 What percentage of all household waste was	33%	35.81%	✓	33%			33%			33%			Yes

Key Performance Indicators 2017/18 – Quarter 1 Performance Report

Appendix 1

Neighbourhoods Quarterly Indicators	Q1 2017/18			Q2 2017/18			Q3 2017/18			Q4 2017/18			Is year-end target likely to be achieved?
	Target	Value	Status	Target	Value	Status	Target	Value	Status	Target	Value	Status	
sent to be composted or anerobic digestion.?													
Resources Quarterly Indicators	Q1 2017/18			Q2 2017/18			Q3 2017/18			Q4 2017/18			Is year-end target likely to be achieved?
	Target	Value	Status	Target	Value	Status	Target	Value	Status	Target	Value	Status	
RES001 How many working days did we lose due to sickness absence?	1.62	1.27	✓	3.22			5.43			7.25			Yes
RES002 What percentage of the invoices we received were paid within 30 days?	97%	96%	✗	97%			97%			97%			No
RES003 What percentage of the district's annual Council Tax was collected?	27.55%	27.64%	✓	52.54%			77.84%			97.8%			Yes
RES004 What percentage of the district's annual business rates was collected?	28.84%	29.25%	✓	53.28%			78.06%			97.8%			Yes
RES005 On average, how many days did it take us to process new benefit claims?	21	22.31	⚠	21			21			21			Uncertain
RES006 On average, how many days did it take us to process notices of a change in a benefit claimant's circumstances?	9	7.55	✓	9			9			6			Yes

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Report to: Finance and Performance Management Cabinet Committee



Report reference: *FPM-009-2017/18*
Date of meeting: *14 September 2017*

**Epping Forest
District Council**

Portfolio: Finance

Subject: Annual Outturn Report on the Treasury Management and Prudential Indicators 2016/17

Responsible Officer: John Bell (01992 564387)

Democratic Services Officer: Rebecca Perrin (01992 564532)

Recommendations/Decisions Required:

(1) That Members note both the Treasury Management Outturn Report for 2016/17 and the outturn for Prudential Indicators shown within the appendices.

Executive Summary:

The annual treasury report is a requirement of the Council's reporting procedures. It covers the treasury activity for 2016/17, and the actual Prudential Indicators for 2016/17.

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

This report and the appendices will be considered by the Audit and Governance Committee on 18 September.

Reasons for Proposed Decision:

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

Other Options for Action:

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

Report:

Introduction

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

2. The report attached at Appendix 1 shows the Treasury Management Outturn Report for 2016/17 in accordance with the revised CIPFA Treasury Management Code and the revised Prudential Code.

Capital activity for the year and how it was financed

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

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

4. Similarly to revenue expenditure, capital expenditure is split between the statutory Housing Revenue Account (HRA) and other expenditure. The actual capital expenditure and financing is shown below in the table.

	2016/17	2016/17	2016/17
Capital Expenditure	Estimated £m	Revised £m	Outturn £m
Non-HRA capital expenditure	19.470	22.514	19.594
HRA capital expenditure	28.127	20.563	17.363
Total Capital Expenditure	47.597	43.077	36.957
Financed by:			
Capital grants	1.015	1.466	1.799
Capital receipts	8.192	5.077	11.712
Revenue	25.769	16.218	14.146
Borrowing (including Internal)	12.621	20.316	9.300
Total Resources Applied	47.597	43.077	36.957
Closing balance on:			
Capital Receipts	7.023	4.136	0
Major Repairs Reserve	0.514	9.143	12.704

The impact on the Council's indebtedness for capital purposes

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

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

	2016/17	2016/17	2016/17
CFR	Estimated £m	Revised £m	Outturn £m
Non-HRA	55.0	50.0	29.6
HRA	155.1	155.1	155.1
Closing balance	210.1	200.1	184.7

7. The Council's policy on Minimum Revenue Provision (MRP), a mechanism for the amount to be set aside from revenue for the repayment of the debt principal, was approved by Council on 18 February 2016.

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

The Council's overall treasury position

9. The table below shows the Council's treasury position for 2016/17. The total investments are all Short Term (i.e. less than 364 days).

Treasury position	31/3/2016 £m	31/3/2017 £m
Total external Debt	185.46	185.46
Total Investments	51.64	41.28
Net Borrowing	(133.82)	(144.18)

Prudential Indicators

10. The Council confirmed its adoption of the CIPFA Code of Treasury Management at its Council meeting on 18 February 2016. The Code was originally adopted on 22 April 2002.

- a) **Authorised Limit** – This is the maximum amount of external debt that can be outstanding at one time during the financial year.
- b) **Operational Boundary** – This is set to reflect the Council's best view of the most likely prudent (i.e. not worst case) levels of borrowing activity for the financial year.
- c) **Upper Limits for Interest Rate Exposure** – This allows the Council to manage the extent to which it is exposed to changes in interest rate.
- d) **Maturity Structure of Fixed Rate Borrowing** – This is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.
- e) **Total principal sums invested for periods longer than 364 days** – This is to allow the Council to manage the risk inherent in investments longer than 364 days.

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

	2016/17 TMSS	2016/17 Outturn
a) Authorised limit	£240m	£185.456m
b) Operational boundary	£230m	£185.456m
c) Upper limits for fixed rate exposure		
- Debt	100%	83%
- Investment	(100%)	(61)%
Upper limits for variable rate exposure		
- Debt	25%	17%
- Investment	(75%)	(39)%
d) Maturity structure of fixed rate borrowing		
- Under 12 months	0% - 100%	0%
- 12 months to 5 years	0% - 100%	0%
- 5 years to 10 years	0% - 100%	0%
- 10 years to 20 years	0% - 100%	0%
- 20 years to 30 years	0% - 100%	100%
e) Total principal sums invested for periods longer than 364 days	£15m	£0m

Resource Implications:

Interest rates stayed low throughout 2016/17 which resulted in the investment interest of £0.249m. The outturn was in line with the revised estimate of £0.245m.

Legal and Governance Implications:

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

- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Secretary of State to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2015/16);
- Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
- The SI requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
- The SI also requires the Council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
- Under the Act the ODPM (now DCLG) has issued Investment Guidance to structure and regulate the Council's investment activities.
- Under section 21(1) AB of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.

Safer, Cleaner and Greener Implications:
None.

Consultation Undertaken:

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

Background Papers:

The report on the Council's Prudential Indicators for 2016/17 and the Treasury Management Strategy for 2016/17 which was approved by Council on 18 February 2016.

Risk Management:

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

Due Regard Record

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

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

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

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Treasury Management Outturn Report 2016/17

Introduction

In April 2002 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.

The Authority's treasury management strategy for 2016/17 was approved by full Council on 18 February 2016. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

External Context

Economic background: Politically, 2016/17 was an extraordinary twelve month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29th March 2017.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.

In addition to the political fallout, the referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth were judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.

Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the ILO unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

Financial markets: Following the referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to

1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.

After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31st March, both up 18% over the year. Commercial property values fell around 5% after the referendum, but had mostly recovered by the end of March.

Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016-17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016-17.

Credit background: Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on banks' financials as at 31st December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Authority's treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as local authority unsecured investments, in a stressed scenario.

On the advice of Arlingclose, new investments with Deutsche Bank and Standard Chartered Bank were suspended in March 2016 due to the banks' relatively higher credit default swap (CDS) levels and disappointing 2015 financial results. The Authority's deposits with Standard Chartered Bank matured in May 2016. Standard Chartered was reintroduced to the counterparty list in March 2017 following its strengthening financial position, but Deutsche Bank was removed altogether from the list.

Local Context

On 31st March 2017, the Authority had net borrowing of £144.18m arising from its revenue and capital income and expenditure, an increase on 2016 of £10m. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in table 1 below.

Table 1: Balance Sheet Summary

	31.3.16 Actual £m	2016/17 Movement £m	31.3.17 Actual £m
General Fund CFR	29.6	0	29.6
HRA CFR	155.1	0	155.1
Total CFR	184.7	0	184.7
Less: Usable reserves	-46.9	3	-43.9
Less: Working capital	-4.0	2	-2
Net Worth	133.8	5	138.8

Table 2: Treasury Management Summary

	31.3.16 Balance £m	2016/17 Movement £m	31.3.17 Balance £m	31.3.17 Rate %
Long-term borrowing	185.5	0	185.5	2.97
Total borrowing	185.5	0	185.5	
Short-term investments	37.7	-12.7	25.0	0.37
Cash and cash equivalents	14.0	2.3	16.3	0.27
Total investments	51.7	-10.4	41.3	
Net Borrowing	133.8	-10.4	144.2	

Note: the figures in the table are from the balance sheet in the Authority's statement of accounts.

Net borrowing has increased due to falls in usable reserves and working capital. As investment balances were used to fund the capital programme no additional borrowing was required.

The Authority's current strategy is to maintain a minimum investment balance of £10m with a view to borrowing to fund the rest of the house building programme probably later in 2017. The treasury management position as at 31st March 2017 and the year-on-year change in show in table 2 above.

Borrowing Activity

At 31st March 2017, the Authority held £185.5m of loans, this has remained static over the year as slippage in the capital programme has meant the need to borrow has not materialised. The year-end borrowing position and the year-on-year change in show in table 3 below.

Table 3: Borrowing Position

	31.3.16 Balance £m	2016/17 Movement £m	31.3.17 Balance £m	31.3.17 Rate %	31.3.17 WAM* years
Public Works Loan Board	185.55	0	185.55	2.97	19.95

*Weighted average maturity

The Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

In furtherance of these objectives, no new borrowing was undertaken in 2016/17, as the capital programme has been funded using available internal resources. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

Investment Activity

The Authority holds significant invested funds, representing balances and reserves held. During 2016/17, the Authority's investment balances have been falling due to funding the capital programme. The year-end investment position and the year-on-year change in show in table 4 below.

Table 4: Investment Position

	31.3.16 Balance £m	2016/17 Movement £m	31.3.17 Balance £m	31.3.17 Rate %	31.3.17 WAM* days
Banks & building societies (unsecured)	21.7	-5.4	16.3	0.42	124.5
Government (incl. local authorities)	18.5	-3.5	15.0	0.33	137.4
Money Market Funds	11.5	-1.5	10.0	0.27	1.0
Other Pooled Funds					
Total investments	51.7	-10.4	41.3	0.34	94.74

*Weighted average maturity

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

In furtherance of these objectives, and given the increasing risk and falling returns from short-term unsecured bank investments, the Authority has kept investment balances short term in line with the cash flow so as to enable funds to be available when required by operational and capital requirements.

Risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in table 5 below.

Table 5: Investment Benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	WAM* (days)	Rate of Return
31.03.2016	3.80	AA-	66%	53	1.04%
30.06.2016	3.89	AA-	64%	57	0.99%
30.09.2016	4.03	AA-	66%	54	0.88%
31.12.2016	3.96	AA-	64%	50	0.79%
31.03.2017	3.97	AA-	60%	47	0.99%
All LAs	4.01	AA-	58%	137	1.31%

*Weighted average maturity.

The table above shows how the Council is performing with its investments, and as can be seen performance is commensurate with other Local Authorities, with the exception of the Rate of Return. This is due to this Council keeping investments shorter, 47 days invested against other Local Authorities 137 days, which gives rise to lower interest rates received.

The Council set itself targets of 7 or below for the credit score and A- or higher for the credit rating and the table above shows both these targets were achieved.

Performance Report

The Authority measures the financial performance of its treasury management activities both in terms of its impact on the revenue budget and its relationship to benchmark interest rates, as shown in table 6 below.

Table 6: Performance

	Actual £'000	Budget £'000	Over/ Under £'000	Actual %	Benchmark %
Temporary Loans Interest	(156.9)	(178.1)	21.2	0.50	0.57
Money Market Funds Interest	(62.3)	(57.8)	(4.5)	0.58	0.48
Total investment income	(219.2)	(235.9)	16.7	0.52	0.55
Fixed Rate Loans Interest	5,348.0	5,348.0	0.0	3.48	3.48
Variable Rate Loans Interest	183.1	214.0	(30.9)	0.58	0.67
Total debt expense	5,531.1	5,562.0	(30.9)	2.97	3.00
GRAND TOTAL	5,311.9	5,326.1	(14.2)	n/a	n/a

Temporary loan interest receivable has under achieved over the year. This is because the Council has been investing for shorter periods as cash is being used to support the capital programme. The variable rate of loan interest is more favourable as the benchmark is set based upon the previous years actual and any subsequent falls in the rate from the lender are borne in this year.

Compliance Report

The Director of Resources is pleased to report that all treasury management activities undertaken during 2016/17 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

Table 7: Investment Limits

	2016/17 Limit	31.3.17 Actual	Complied
Any single organisation, except UK Government	£5m	£5m (Lloyds and Santander)	✓
UK Central Government	Unlimited	£15m	✓
Any group of funds under the same management	£5m per group	£5m (Lloyds)	✓
Any group of pooled funds under the same management	£5m per manager	Nil	✓
Negotiable instruments held in a broker's nominee account	£15m per broker	£11m ICAP and £4m BGC	✓
Foreign countries	£5m per country	Nil	✓
Registered Providers	£5m in total	Nil	✓
Unsecured investments with Building Societies	£5m in total	Nil	✓
Loans to unrated corporates	£5m in total	Nil	✓
Money Market Funds	£15m in total	£10m	✓

Compliance with the authorised limit and operational boundary for external debt is demonstrated in table 8 below.

Table 8: Debt Limits

	31.3.17 Actual	2016/17 Operational Boundary	2016/17 Authorised Limit	Complied
Borrowing	£185.55m	£230.00m	£240.00m	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	31.3.17 Actual	2016/17 Target	Complied
Portfolio average credit rating	AA-	A-	✓

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month without additional borrowing.

	31.3.17 Actual	2016/17 Target	Complied
Total cash available within 3 months	£26m	£15m	✓

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

	31.3.17 Actual	2016/17 Limit	Complied
Upper limit on fixed interest rate exposure on debt	82.86%	100%	✓
Upper limit on fixed interest rate exposure on investments	(71.43%)	(100%)	✓
Upper limit on variable interest rate exposure on debt	17.14%	25%	✓
Upper limit on variable interest rate exposure on investments	(28.57%)	(75%)	✓

Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity Structure of Borrowing: This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	31.3.17 Actual £m	Lower limit	Upper Limit	Complied
Under 12 months	0%	0%	100%	✓
12 months and within 24 months	0%	0%	100%	✓
24 months and within 5 years	0%	0%	100%	✓
5 years and within 10 years	0%	0%	100%	✓
10 years and above	100%	0%	100%	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	2016/17	2017/18	2018/19
Actual principal invested beyond year end	£0m	£0m	£0m
Limit on principal invested beyond year end	£15m	£5m	£5m
Complied	✓	tbc	tbc

Report to the Finance and Performance Management Cabinet Committee

Report reference: FPM-010-2017/18
Date of meeting: 14 September 2017



**Epping Forest
District Council**

Portfolio: Finance

Subject: Quarterly Financial Monitoring

Officer contact for further information: Peter Maddock (01992 - 56 4602).

Democratic Services Officer: Rebecca Perrin (01992 – 56 4532)

Recommendations/Decisions Required:

That the Committee note the revenue and capital financial monitoring report for the first quarter of 2017/18;

Executive Summary

The report provides a comparison between the original estimate for the period ended 30 June 2017 and the actual expenditure or income as applicable.

Reasons for proposed decision

To note the first quarter financial monitoring report for 2017/18.

Other options for action

No other options available.

Report:

1. The Committee has within its terms of reference to consider financial monitoring reports on key areas of income and expenditure. This is the first quarterly report for 2017/18 and covers the period from 1 April 2017 to 30 June 2017. The reports are presented based on which directorate is responsible for delivering the services to which the budgets relate and the budgets themselves are the original estimate.
2. Salaries monitoring data is presented as well as it represents a large proportion of the authorities expenditure and is an area where historically large under spends have been seen.

Revenue Budgets (Annex 1 – 6)

3. Comments are provided on the monitoring schedules but a few points are highlighted here as they are of particular significance. The salaries schedule (Annex 1) shows an underspend of £144,000 or 2.5%. At the first quarter last year the underspend was 3.6%.
4. Resources is showing the largest underspend of £92,000, this relates mainly to Revenues and Housing Benefits. Communities shows an underspend of £37,000 relating to Communities Policy as the Assistant Director – Private Sector Housing post became vacant during the period, and Housing Management.

5. The investment interest is broadly on target with the budget. Interest rates are now only a little over 0.1% and money is primarily being held short term because of the significant capital commitments coming up. There is little prospect of any significant changes in interest rates, even over the medium term.
6. Development Control income at Month 3 is down on expectations. Fees and charges were £49,000 lower than the budget to date and pre-application charges are £7,000 higher than expected. There have been few major schemes come through so far this year and this may be due to developers awaiting the publishing of the Local Plan. Fees have recovered slightly during July but not significantly.
7. Building Control income was £33,000 higher than the budgeted figure at the end of the first quarter. By the end of month 4 income was £47,000 higher. If Building Control income is going to be affected by the Local Plan publication it will be rather later than Development Control. The ring-fenced account has assumed a deficit of £129,000 for this year due to the amount of scanning work required, however based on income levels to date this looks likely to be better than expected.
8. Although Public Hire licence income and other licensing is above expectations, the Public Hire figures shown include £27,000 relating to future years so in reality income relating to 2016/17 is £7,000 down.
9. Income from MOT's carried out by Fleet Operations is in line with expectations. The service has now been located at Oakwood Hill depot for about a year so the uncertainties experienced previously should now have been overcome. The account is budgeted to show a deficit of around £62,000 however this included an estimate for business rates which has proved to be too high and this alone should reduce this deficit to less than £50,000. The report on options for joint occupation of the depot is going to Cabinet on 7 September and the Director of Neighbourhoods is doing a report on the overspend on the construction of the depot for Cabinet on 12 October.
10. Car Parking income appears broadly on target with expectations at month 3, though there will be some income relating to the first quarter that was received in month 4.
11. Local Land Charge income is £3,000 above expectations. The budget had been reduced in the prior year as there have been fewer searches undertaken recently.
12. Expenditure and income relating to Bed and Breakfast placements is on the increase. Most are eligible for Housing Benefit and although some will be re-imursed by the Department for Work and Pensions it is only around 50%, leaving a similar amount to be funded from the General Fund. Growth of £28,000 was allowed for in 2016/17 with a further £12,000 in 2017/18. The 2016/17 actual was nearer the 2017/18 original position than the revised 2016/17 and there are no signs of expenditure levels abating. Some new initiatives are being pursued in an effort to stem the increase and additional government funding in the form of Flexible Homeless Grant is being used to fund programmes such as the Zinc Arts scheme in Ongar.
13. There was no recycling credit income in the first quarter. Income was up to date by early August, though slightly down on expectations.
14. The waste and leisure management contracts show some underspend due to timing. The latter particularly, as payments didn't commence until July.
15. The Housing Repairs Fund shows an underspend of £62,000. There are underspends showing on both Planned Maintenance and Responsive work. There is also a variance on HRA Special Services which relate mainly to tree maintenance and utility costs.

16. Income from Building Control and probably Car Parking look likely to exceed the budget. Others are less certain. MOT income is in line with expectations and Development Control is lower but may be being affected by the impending publication of the Local Plan.

Business Rates

17. This is the sixth year of operation for the Business Rates Retention Scheme whereby a proportion of rates collected are retained by the Council. There are proposals that all Business Rates be retained within the local government sector though this actually happening is unlikely to be before the year 2020/21. In any event the proportions retained by each local government tier is likely to change and if additional resources are made available they will no doubt be accompanied by additional responsibilities.
18. There are two aspects to the monitoring, firstly changes in the rating list and secondly the collection of cash.
19. The resources available from Business Rates for funding purposes is set in the January preceding the financial year in question. Once these estimates are set the funding available for the year is fixed. Any variation arising from changes to the rating list or provision for appeals, whilst affecting funding do not do so until future years. For 2017/18 the funding retained by the authority after allowing for the Collection Fund deficit from 2016/17 is £3,499,000. This exceeded the government baseline of £3,110,000 by some £389,000. The actual position for 2017/18 will not be determined until May 2018.
20. Cash collection is important as the Council is required to make payments to the Government and other authorities based on their share of the rating list. These payments are fixed and have to be made even if no money is collected. Therefore, effective collection is important as this can generate a cash flow advantage to the Council. If collection rates are low the Council is left to finance these payments from working capital and so has to reduce investment balances. At the end of June the total collected was £9,995,028 and payments out were £8,596,002, meaning the Council was holding £1,399,026 of cash and so the Council's overall cash position was benefitting from the effective collection of non-domestic rates.

Capital Budgets (Annex 7 - 11)

21. Tables for capital expenditure monitoring purposes (annex 7 -11) are included for the three months to 30 June. There is a commentary on each item highlighting the scheme progress.
22. The full year budget for comparison purposes is the Original Budget updated for carry forwards, due to 2016/17 slippage.

Major Capital Schemes (Annex 12)

23. There are three projects included on the Major Capital Schemes schedule these relate to the House Building packages 1, 2 and 3 and The Epping Forest Shopping Park. Annex 12 gives more detail. The variance reported is a comparison between the anticipated outturn and approved budget.

Conclusion

24. With regard to revenue, Building Control income is going well though Development control income is down currently. Other income streams are broadly on track and expenditure is below budget which is often the case at this stage in the year.
25. The Committee is asked to note the position on both revenue and capital budgets as at Month 3.

Consultations Undertaken

This report will also be presented to the Resources Select Committee during October, and an update will be provided to that committee to cover any comments made by this Committee.

Resource Implications

There is little evidence to suggest that the net budget will not be met.

Legal and Governance Implications

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

Safer, Cleaner, Greener Implications

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

Background Papers

Various budget variance working papers held in Accountancy.

Impact Assessments

Risk Management

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

Due Regard Record

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

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

Date / Name	Summary of equality analysis
22/08/17 Director of Resources	The purpose of the report is to monitor income and expenditure. It does not propose any change to the use of resources and so has no equalities implications.

JUNE 2017 - SALARIES

<u>DIRECTORATE</u>	<u>2017/18</u>			<u>2016/17</u>		
	<u>EXPENDITURE</u>	<u>BUDGET</u>	<u>VARIATION</u>	<u>EXPENDITURE</u>	<u>BUDGET</u>	<u>VARIATION</u>
	<u>TO 30/06/17</u>	<u>PROVISION</u>	<u>FROM BUDGET</u>	<u>TO 30/06/16</u>	<u>PROVISION</u>	<u>FROM BUDGET</u>
	<u>£000</u>	<u>£000</u>	<u>%</u>	<u>£000</u>	<u>£000</u>	<u>%</u>
CHIEF EXECUTIVE	118	131	-9.9	66	65	1.5
RESOURCES *	1,405	1,497	-6.1	1,385	1,463	-5.3
GOVERNANCE *	910	907	0.3	898	919	-2.3
NEIGHBOURHOODS *	1,261	1,266	-0.4	1,178	1,231	-4.3
COMMUNITIES *	1,945	1,982	-1.9	1,875	1,928	-2.7
TOTAL	5,639	5,783	-2.5	5,402	5,606	-3.6

* Agency costs are included in the salaries expenditure.

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

	17/18 Full Year Budget £'000	First Quarter			17/18 Variance Budget v Actual		Comments
		17/18 Budget £'000	17/18 Actual £'000	16/17 Actual £'000	£'000	%	
<u>Major expenditure items:</u>							
Museum	125	60	59	69	-1	-2	There are no major variances.
Bed & Breakfast Accommodation	271	67	124	21	57	85	The anticipated increase in caseload has been exceeded and this is expected to continue. As a result, expenditure in the first quarter is higher than expected but rental income has also risen during the same period, as seen below.
Grants to Voluntary Groups	88	1	0	18	-1	-100	It is difficult to accurately forecast expenditure patterns from year to year as timings are dependent on the receiving organisations providing the necessary information to enable grants to be released. As a general rule, however, expenditure is low in the first quarter as grant release tends to be slow initially. Given the forecast profiling for the current financial year, no major variances have occurred.
Voluntary Sector Support	174	93	93	93	0	0	There are no variances.
<u>Major income items:</u>							
Bed & Breakfast Accommodation	280	70	117	37	47	67	Rents are higher than expected due to the increased caseload.
	938	291	393	238			

	17/18 Full Year Budget £'000	First Quarter			17/18 Variance Budget v Actual			Comments
		17/18 Budget £'000	17/18 Actual £'000	16/17 Actual £'000	£'000		%	
Major income items								
Development Control	1,098	260	218	263	-42		-16	The first quarter of 2017/18 has seen reduced levels of fee income compared to the first quarter of the previous year and the budget to date. This is possibly because major developers are awaiting the publication of the Local Plan prior to submitting any planning applications within the district.
Building Control Fee Earning	450	126	160	149	34		27	Uncertainty in the housing market is having a positive effect on the Building Control fees which has exceeded the profiled budget and the previous year actual. In addition, the Building Control service have formed a number of partnerships with outside bodies helping to resist the threat of competition from the commercial sector.
Local Land Charges	164	46	49	45	3		7	The actual at quarter one is on target with the budget and the previous year comparative.
	1,712	432	427	457				

	17/18 Full Year Budget	First Quarter			17/18 Variance Budget v Actual		Comments
		17/18 Budget	17/18 Actual	16/17 Actual			
		£'000	£'000	£'000	£'000	%	
Major expenditure items:							
Refuse Collection	1,417	231	217	141	-14	-6	} The in year variance is due to timing differences in phasing of contract payments. A difference arises between the two years due to the contractor now being paid by Direct Debit at the start of the month following the works being carried out,
Street Cleansing	1,375	215	203	87	-12	-6	
Recycling	2,870	469	441	288	-28	-6	
Highways General Fund	62	6	1	7	-5	-83	} The level of replacement of street furniture and litter bins is hard to predict and hence causes timing differences on expenditure.
Off Street Parking	442	176	137	213	-39	-22	
North Weald Centre	207	77	69	64	-8	-10	} In 2016/17 NEPP was the contractor for administering the Off Street Parking service and had charged £68,000 in the first quarter. This financial year the new contractor had submitted no invoices to date.
Land Drainage & Contaminated Land	208	14	9	3	-5	-36	
	6,581	1,188	1,077	803			} A great deal of expenditure on this heading is for maintenance items.
							} This is a maintenance driven budget and has a volatile pattern of spend.

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	17/18	First Quarter			17/18		Comments
	Full Year	17/18	17/18	16/17	Variance		
	Budget	Budget	Actual	Actual	Budget v Actual		
	£'000	£'000	£'000	£'000	£'000	%	
<u>Major expenditure items</u>							
Forward Planning/Local Plan	1,248	96	38	31	-58	-60	The Cabinet will receive an update on the scheduling of the Local Plan and its financing in October.
<u>Contract cost Monitoring</u>							
Leisure Facilities:-							
Loughton Leisure Centre	-158	-26	0	-47	26	-100	
Epping Sports Centre	234	39	0	26	-39	-100	
Waltham Abbey Pool	8	1	0	87	-1	-100	
Ongar Sports Centre	98	16	0	50	-16	-100	
	182	30	0	116			

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	17/18 Full Year Budget £'000	First Quarter			17/18 Variance Budget v Actual			Comments
		17/18 Budget £'000	17/18 Actual £'000	16/17 Actual £'000	Budget v Actual			
		£'000	£'000	£'000	£'000	%		
Major income items:								
Refuse Collection	77	19	19	16	0	0	No major variances.	
Recycling	1,485	0	0	0	0	0	Recycling credit income is always slow to materialise in the first quarter of the year.	
Off Street Parking	1,415	254	256	219	2	1	No major in year variance. The variance between years arises due to the timing of the receipt of Penalty Charge Notices and Telephone Banking since taking the contract away from NEPP.	
North Weald Centre	812	293	320	296	27	9	All income streams are ahead of estimates at present, but the main increase is due to a rent increase on Market Rents from January 2017 of £50,000 per annum.	
Hackney Carriages	181	54	52	57	-2	-4	No major variances	
Licensing & Registrations	114	12	13	12	1	8	No major varainces	
Fleet Operations MOTs	205	51	52	46	1	2	The relocation of the service to Oakwood Hill has now been completed and the income is showing signs of recovery.	
	4,289	683	712	646				

	17/18 Full Year Budget	First Quarter			17/18 Variance Budget v Actual			<u>Comments</u>
	£'000	17/18 Budget £'000	17/18 Actual £'000	16/17 Actual £'000	£'000		%	
<u>Major income items:</u>								
Industrial Estates	1,259	588	670	547	82		14	A revision of leases at Brooker Road have brought larger rental income than originally anticipated.
Business Premises - Shops	2,204	1,102	1,073	1,080	-29		-3	No major variances.
Land & Property	215	29	8	8	-21		-72	The lease on the David Lloyd Leisure Centre has been revised, and to date no rental income has been invoiced. This will be recovered shortly with increased rental income received.
	3,679	1,719	1,753	1,635				

	17/18 Full Year Budget £'000	First Quarter			17/18 Variance Budget v Actual			Comments
		17/18 Budget	17/18 Actual	16/17 Actual	Budget v Actual			
		£'000	£'000		£'000	%		
Major expenditure items:								
Building Maintenance	582	50	37	46	-13	-26		Expenditure fluctuates from one year to another due to Building Maintenance works being determined on a rolling five year programme which identifies and prioritises the works required to the non-office assets but generally works are undertaken in the latter part of the year which allows for preparation work to take place initially. The actual spend to date at quarter one is lower than the previous year due to some planned maintenance works placed on hold pending the outcome of the next stage of the accommodation review in November/December.
Information & Communication Technology	1,003	695	694	558	-1	0		The full year budget includes the cost of the councils Multi-Function Devices, Network Telephone & Mobiles, provision of the Service Desk and maintenance for all Systems in use. Expenditure is in line with the current budget spending profile as the renewal of maintenance contracts for the Councils systems are paid at the beginning of the year with network and consultancy charges continuing to be paid throughout the year.
Benefit relating to Bed & Breakfast cases (Non-HRA Rent Rebates)	280	70	87	72	17	0		2017/18 has seen a further increase in the number of homeless people placed in Bed and Breakfast accommodation compared to the previous year. Whilst some growth was included in the original budget this will need reviewing during the forthcoming budget process
Bank & Audit Charges	122	1	1	1	0	0		No significant expenditure occurs in either audit or bank charges until quarter 2.
	1,987	816	819	677				
Major income items:								
Investment Income	194	49	51	83	2	4		No major in-year varaince. The variance between years arises due to lower interest rates now being received and reducing investment balances as capital schemes progress.
	194	49	51	83				

	17/18 Full Year Budget £'000	First Quarter			17/18 Variance Budget v Actual		Comments
		17/18 Budget £'000	17/18 Actual £'000	16/17 Actual £'000	£'000	%	
<u>Major expenditure items:</u>							
Management & General	289	51	25	40	-26	-51	Expenditure is lower than expected in the first quarter of 2017/18 due to less spend on consultants' fees within the Policy & Management budget than originally anticipated.
Housing Repairs	6,063	653	591	819	-62	-9	This underspend relates to expenditure on both planned maintenance (£41,000) and responsive repairs (£33,000). However, expenditure on voids was marginally higher than anticipated. With regard to responsive repair works, it is always difficult to forecast when they will arise due to the demand-led nature of the works.
Special Services	1,108	235	203	186	-32	-14	The largest underspend in this section relates to tree felling within the grounds maintenance budget. Other areas showing an underspend include utility costs and caretaking and cleaning.
	7,460	939	819	1,045			
<u>Major income items:</u>							
Non-Dwelling Rents	893	221	205	218	-16	-7	The reduction in income relates to garage rents.
Gross Dwelling Rent	31,613	7,903	7,876	7,939	-27	0	The reduction in rental income from dwellings this financial year compared to 2016/17 is due to the rent decrease of 1% from April 2017, combined with reduced stock numbers due to the high number of Right To Buy sales last year. Void levels are around 1%, running broadly in line with expectations.
	32,506	8,124	8,081	8,157			

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**2017/18 DIRECTORATE CAPITAL MONITORING -
COMMUNITIES**

Scheme	17/18	First Quarter		17/18 Variance		Comments
	Full Year Budget	17/18 Budget	17/18 Actual	Budget Vs Actual		
	£'000	£'000	£'000	£'000	%	
2nd Floor Bridgeman House	177	0	0	0	0	The original use of this budget was to purchase office space on the second floor of Bridgeman House, above the Museum, to facilitate relocation of the Community Services team and to use as a new storage facility for the Museum Reserve Collection. Since the budget was set up the purchase of the office space has become unviable, however the Council is still actively seeking another suitable option. From the original budget of £297,000, cabinet agreed to reallocate £120,000 to fund the second phase of the Price Waterhouse Cooper Accommodation Review (see Annex 9).
CCTV Systems	87	11	11	0	0	The installation of the Limes Farm Automated Number Plate Reader (ANPR) at the entrance of the estate for community safety purposes was installed in quarter 1; whilst works to replace the failing CCTV systems at the old Bobbingworth Tip site is expected to be carried out in quarter 2 on behalf of the Flood Alleviation team (see Annex 8). The complex nature of the Epping High Road system, including conservation and signaling issues, has previously caused this scheme to be delayed. However, works are now expected to progress in the latter stages of the financial year with the Council currently awaiting the assessment from the Wi-Fi designer company and the results of the planning application submitted for the erection of columns. The Council is pursuing options to integrate costs for a new system at the Hill House development site into the leisure contract; additional cameras which will cover the shopping parade and Council owned housing estates will be in addition to these costs. There are currently various issues at the development site including antisocial behaviour and this has prompted the use of rapid deploy cameras in the area. However two of these cameras have been stolen with another being vandalised. The Council is currently proceeding with recovery efforts through the insurance company.
Car Park CCTV Systems	54	0	0	0	0	The car park CCTV installation programme has been working in conjunction with the "Invest to Save" LED lighting scheme (see Annex 8) with three car parks in Waltham Abbey identified for installations in 2017/18. Cornmill and Quaker Drive are ready to tender but will need to be installed after the LED lighting which could cause delays. It is expected that works on surface trenching and the installation at these two sites could be completed in quarter 3, whilst Darby Drive is currently awaiting a planning application for new columns in the car park and will be completed by the end of the financial year. The budget is expected to cover the costs of 3 of the 7 remaining car parks. It is likely that an additional allocation will be sought for the last 4 carparks.
Housing Estate Parking	550	0	0	0	0	The off-street parking schemes undertaken on Council owned land is jointly funded between the HRA and General Fund. The General Fund proportion of costs will be allocated at year-end. Due to complications outlined in Annex 10 expenditure is anticipated to be very low therefore the 2017/18 budget will be re-assessed in quarter 3 as part of the Capital Review.
Total	868	11	11			

**2017/18 DIRECTORATE CAPITAL MONITORING -
NEIGHBOURHOODS**

Scheme	17/18	First Quarter		17/18 Variance		Comments
	Full Year Budget	17/18 Budget	17/18 Actual	Budget Vs Actual		
	£'000	£'000	£'000	£'000	%	
EFDC Shopping Park	6,592	2,197	2,031	-166	-8	Please see major scheme tab for details on this scheme. This budget refers to the construction works. Glyn Hopkin Ltd (GHL) operate a motor car dealership located on the corner of Brooker Road/Cartersfield Road in Waltham Abbey. GHL expressed a desire to surrender their existing lease and obtain a new lease of the whole area of their premises demised by the existing lease which would permit full motor dealership use. With the acceptance of the new lease the rent of the premises has increased with 5-yearly upward-only rent reviews. The variance for this scheme includes additional costs relating to legal fees & stamp duty fees which were funded by EFDC after the Cabinet report was submitted, but were not identified in the original structure of the lease.
Gyn Hopkin Expansion	990	990	1,042	52	5	
Hill House Development	130	0	0	0	0	EFDC has entered into a Section 106 agreement to provide compensatory facilities as the development of the new Leisure Centre (as well as the Hill house Centre and Independent Living Scheme) will mean a loss of sports pitches in the area. EFDC are required to undertake a playing pitch strategy to identify the best location for spending the S106 contributions. This strategy is not due for completion until early in the 2018/19 financial year and therefore the budget will be carried forward as part of the Capital Review to be submitted in December 2017.
Car Park Schemes	277	0	0	0	0	This section comprises of 4 different schemes. 1) After adopting the enforcement of the Lea Valley car park, works to install pay and display machines in the car park have been progressing slowly, however a legal agreement will be signed shortly allowing design works to commence. The legal documentation to enforce penalty charges has been published for the Council's three new car parks in Oakwood Hill and Loughton with the enforcing penalty charges notices going live in August. Pay and display machines have been purchased however, the Council is awaiting quotes for the relining and signage works for the car parks. A review of the installation of the pay and display around the district's existing car parks will be undertaken to assess whether any further installations are required. This budget is expected to be underspent and will be reassessed as part of the Capital Review. 2) Traps Hill car park in Loughton has been upgraded with new LED lighting with the next phase of the project, consisting of three car parks in Waltham Abbey, awaiting final quotes for the works before proceeding. 3) A consultancy team have been appointed to advise on the demolition of some garages and designing of the car park to maximise spaces and to assist with the planning. 4) The final scheme relates to the installation of new 4G pay and display machines that allow real-time remote monitoring. This scheme is progressing well with all machines identified likely to be replaced by the end of the financial year.
Other Schemes	96	0	0	0	0	There are 4 schemes within this section. 1) The waste management equipment budget is earmarked for waste and recycling bins provided to new properties around the district. 2) Ground Maintenance vehicle replacement scheme is currently awaiting delivery of a new mower whilst quotes for a new truck to replace an ageing fleet are being collected. 3) Flood alleviation works to replace the failing CCTV systems at the old Bobbingworth Tip site is expected to be carried out in quarter 2, whilst other works to flood risk assets are currently being assessed. 4) Finally, the "Invest to Save" scheme to extend the vehicle compound at the North Weald 240 building is currently awaiting planning permission before works on the compound extension can begin.
Total	8,085	3,187	3,073			

**2017/18 DIRECTORATE CAPITAL MONITORING -
RESOURCES**

Scheme	17/18	First Quarter		17/18 Variance		Comments
	Full Year Budget	17/18 Budget	17/18 Actual	Budget Vs Actual		
	£'000	£'000	£'000	£'000	%	
On Hold Planned Maintenance Projects	604	0	0	0	0	Many of the schemes in the planned maintenance programme relating to the civic offices have been placed on hold pending the outcome of the Accommodation Review. Expenditure will be limited to some minor design works. This section includes the schemes within on buildings that do not fall under the scope of the accommodation review. During quarter 1 there has been no spend due to a combination of delays to projects previously within the scope of the accommodation review, projects currently awaiting results of planning applications , or projects being in design stages. However, after a positive asbestos survey, works on the Waltham Abbey's Museum reroofing & chimney stacks are ready to commence in September. The installation of the amplifier racks for the fire alarm speakers and the new smoke and heat detectors in the civic offices are expected to be completed in quarter 3; as is the replacement windows scheme at North Weald Gatehouse. After receiving the results of a health and safety audit on the Town Mead depot, works to the toilets, fencing and other refurbishment works have been identified. Although the fencing works around the Town Mead depot parameter are expected to commence in quarter 3, the original specification for the works has changed resulting in delays. The software upgrade to the Trend Building services that will allow Facilities Management to remotely control the heating systems of the Civic offices and the sheltered housing around the district will be completed by the end of the financial year. There is a shared responsibility between the HRA and the General Fund for works on roofs and balconies for investment properties that have housing units above them. This year it is expected that the costs recharged to the General Fund is likely to cause some overspends to the current budget in place; this will be addressed as part of the Capital Review.
Active Planned Maintenance Projects	378	0	0	0	0	
ICT Projects	415	82	86	4	5	Overall the ICT schemes are currently progressing well with several schemes being completed in the 1st quarter; however some projects have been delayed or put on-hold awaiting the recommendation of the Accommodation Review. The upgrade of cash receipting system, the extension of the storage area network and the purchase of the SQL server and Blackberry “Good” licenses have all been completed. It is expected that this progress will continue in quarter 2 with works to upgrade to the Gazetteer's corporate address database highlighted after the loss of support and development from Oracle, and the scheme to install a reverse proxy which allows internal systems to connect to the Council's servers securely both expected to be completed. The pilot to upgrade the Citrix server for the use of virtual PC's and desktops has been identified as a potential carry forward as has the mobile working schemes for staff who frequently do site visits. These will be assessed as part of the Capital Programme Review to be submitted in December 2017.
HR/Payroll System	20	0	0	0	0	This budget is a continuation of the 2016/17 budget for the implementation of the Human Resources/Payroll system. Works to scope and build the Human Resources system, including the Employee/Manager Self-Service, health and safety, recruitment and learning elements were rolled out at the beginning of the financial year; the invoices are expected to be paid in quarter 2.
Transformation Projects	120	0	0	0	0	The Accommodation Review has now reached the detailed feasibility stage and a budget of £120,000 has been re-allocated from the Bridgeman House to cover these costs (see Annex 7). No payments are expected before the end of the calendar year.
Total	1,537	82	86			

**2017/18 DIRECTORATE CAPITAL MONITORING -
HOUSING REVENUE ACCOUNT**

Scheme	17/18	First Quarter		17/18 Variance		Comments
	Full Year Budget	17/18 Budget	17/18 Actual	Budget Vs Actual		
	£'000	£'000	£'000	£'000	%	
Housebuild Phase 1	1,155	693	516	-177	-26	Please see major scheme tab for details on this scheme.
Housebuild Phase 2	8,131	1,478	656	-822	-56	Please see major scheme tab for details on this scheme.
Housebuild Phase 3	4,920	895	423	-472	-53	Please see major scheme tab for details on this scheme.
Other Housebuilding	707	177	54	-123	-69	As a moratorium was in place on the housebuilding programme beyond Phase 3, no budgets were approved in February for Phases 4 to 6. Since then the moratorium has been lifted and allocations will be included in the capital programme as part of the Capital Review in the autumn. The budget of £707,000 shown here represents the remaining allocation in respect of the Barnfield development where hand-over of the 8 affordable rented houses built as part of a S106 development by Linden Homes is due around November. Regarding Phases 4 to 6, planning permission has been granted for 22 sites, which when developed will deliver 58 new homes. Four sites are yet to be granted planning permission, which if approved will deliver a further 34 homes. This leaves 13 sites where planning permission has been refused. The Council House-building Cabinet Committee has yet to decide on what they want to do with these sites, but one option is to sell them on the open market and use the capital receipt to fund the house-building programme .
Housing Conversions	0	0	-27	-27	0	The conversions at Marden Close and Faversham Hall were completed in 2015/16, and retentions totally £27,000 are still outstanding.
North Weald Depot	3,189	0	0	0	0	The previous decision of the Cabinet to build a purpose built a Repairs and Maintenance Hub has been put on hold pending the outcome of a feasibility study into relocating the Housing Repairs Service and the Housing Assets team to the Oakwood Hill Depot. The Cabinet will be considering a report on the outcome of the feasibility study at its meeting in September 2017.
Policy Changes in 17/18						Members approved the change of policy from a modern home standard to a decent home standard starting in the financial year 2017/18. This will reduce the capital spend on HRA projects but will result in increasing revenue expenditure over time as more repair jobs will be done. Subsequently this has caused many of the capital schemes to show underspends to the current budgets and savings will be identified as part of the Capital Review.
Heating / Rewire	3,725	804	445	-360	-45	Gas heating is currently showing the largest underspend of the category; however three installations at Leonard Davies, Frank Bretton and Jessopp Court over the next two quarters are expected to reduce this variance. Similarly the rewiring scheme is also currently showing a large variance, and although more expenditure is anticipated on communal lighting, the full budget is not expected to be spent by the end of the financial year. The winter months are expected to see a spike in costs in the mechanical ventilation and heat recovery (MVHR) installation whilst the electrical heating programme is currently on target.
Windows / Doors / Roofing	2,588	616	189	-427	-69	Fire safety has been highlighted due to recent events at Grenfell Tower with EFDC actively pursuing options with leaseholders to upgrade fire doors within properties around the district. Due to continued problems, the contractor of the double glazing scheme has been notified of termination after the current phase of installations is completed. The resurfacing of balconies and roof replacements are currently showing a large underspend, however it is expected that the expenditure will heavily increase during the winter months as more maintenance will be reported.
Total c/f	24,415	4,663	2,256			

**2017/18 DIRECTORATE CAPITAL MONITORING -
HOUSING REVENUE ACCOUNT**

Scheme	17/18	First Quarter		17/18 Variance		Comments
	Full Year Budget	17/18 Budget	17/18 Actual	Budget Vs Actual		
	£'000	£'000	£'000	£'000	%	
Total b/f	24,415	4,663	2,256			
Other Planned Maintenance	358	90	5	-85	-95	This category includes Norway House improvements, door entry system installations and energy efficiency works. Works to the door entry systems on leasehold properties may need to be enforced due to the fire safety matters highlighted in the previous category. The energy efficiency budget will be re-assessed as part of the Capital Review in light of the lack of demand for loft and wall cavity insulations.
Kitchen & Bathrooms	2,680	670	336	-334	-50	Many of the planned maintenance schemes for the installation of kitchens and bathrooms are currently on hold due to tenants being in rent arrears. These schemes have also been significantly reduced due to the policy to change from modern to decent homes.
Garages & Environment Works	1,289	62	2	-60	-97	The construction of the 8 off-street parking areas in Torrington Drive has experienced complications throughout with works being redesigned after drainage tests failed causing significant delays. To add to this the main contractor (Wedge) has also gone out of business and although another contractor has been identified and it is expected that the scheme will not recommence at Torrington Drive until quarter 3. Wedge is also the main construction company on the estate environmental scheme which is also showing an underspend. The housing CCTV schemes will begin in quarter 2 with a new system being installed at Limes Farm Yellow Block, whilst a replacement system being installed at Norway House in quarter 4.
Structural Schemes	1,593	161	311	150	-22	The year to date budget for miscellaneous structural works is considerably overspent due to the HRA stock being relatively old, with works to cracks in plaster and walls being a significant issue. Design specifications for the replacement of 9 lifts in Limes Farm estate is currently progressing with works not expected to start on site until quarter 3.
Disabled Adaptations	450	113	98	-15	-13	Disabled adaptations works are progressing well and the budget is currently expected to be fully spent by the end of the year.
Other Repairs & Maintenance	250	59	35	-24	-40	Feasibility studies have been identified including moving the staff and workshop from Epping Depot to the Oakwood Hill Depot. With reduced capital works being undertaken due to a change in policy there is a lower demand for asbestos removal works.
Service Enhancements	455	114	4	-110	-96	The front door replacement programme for leaseholders is facing the same urgency as the replacement door programmes in the other categories due to fire safety and regulatory issues. However, unlike the above programmes, the leaseholders own 50% of the doors and therefore the Council cannot touch the doors without the leaseholder's permission; large discounts and other options to aid co-operation are currently being explored. There has been no progression with the Oakwood Hill enhancement programme and the scheme is expected to be carried forward as part of the Capital Review. The demand for the mobility scooter stores is still very low although there is potential for a store to be constructed at Norway House.
Replacement Housing Vehicles	158	107	107	0	0	A total of 7 vans have been delivered to replace an ageing fleet with another 2 being identified for delivery later in the year.
Work On Hra Leasehold Prem (Cr)	-300	0	0	0	0	This credit budget allows for work undertaken within the above categories on sold Council flats. Once identified, an adjustment will be made at the end of the year.
Total	31,348	6,037	3,154			

2017/18 DIRECTORATE CAPITAL MONITORING -
REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE (REFCuS) AND CAPITAL LOANS

REFCuS Scheme	17/18	First Quarter		17/18 Variance		Comments
	Full Year Budget	17/18 Budget	17/18 Actual	Budget Vs Actual		
	£'000	£'000	£'000	£'000	%	
EFDC Shopping Park	1,938	646	642	-4	-1	Please see major scheme tab for details on this scheme. This budget refers to the S278 works. After designs and maps were completed and advertised at the end of 2016/17 by North Essex Parking Partnership, Phase 1 of the Loughton Parking review is due to go live in August. Phase 1 consists of 14 on-street parking schemes located around Loughton including Oakwood Hill, Rectory Lane and Langston Road. A meeting to discuss the designs of Phase 2 will be held in October and will allow time to evaluate the resident's response to Phase 1 as well as pinpoint potential locations in and around Debden Station.
Parking & Traffic Schemes	262	0	0	0	0	
Disabled Facilities Grants	630	158	97	-61	-39	
Hra Leasehold Prop (Dr)	300	0	0	0	0	The Council has a legal duty to provide Disabled Facility Grants (DFGs) to all residents who meet the eligibility criteria. These grants are used for disabled adaptation works such as stair lifts, disabled entry solutions and bathroom renovations and will be fully funded by the Better Care Fund. The expenditure in quarter 1 amounted to £97,000 with additional commitments of £297,000 until the end of the financial year, although commitments will continue to rise over the year as additional grants are approved.
Total	3,130	804	739			These costs relate to capital works on sold council flats, currently shown on the HRA capital programme. They will be identified once the works are complete and reported at the end of the financial year.

Capital Loan Scheme	17/18	First Quarter		17/18 Variance		Comments
	Full Year Budget	17/18 Budget	17/18 Actual	Budget Vs Actual		
	£'000	£'000	£'000	£'000	%	
Private Sector Housing Loans	150	38	22	-16	-41	This scheme offers discretionary loans to provide financial assistance for improving private sector housing stock. During quarter 1 £22,000 has be spent with an additional £98,000 currently either in application or approval stage.
Total	150	38	22			

**2017/18 DIRECTORATE CAPITAL MONITORING -
MAJOR SCHEMES**

HOUSE BUILDING PHASE 1

Original Start on Site Date	Original Finish Date	Actual Start on Site Date	Proposed Finish Date	Original Pre-Tender Forecast	Updates	Original Approved Budget	Actual Expenditure to Date	Anticipated Outturn	Variance Anticipated Outturn to Approved Budget	Approved Budget Unspent to Date
				£'000 (A)	£'000 (B)	£'000 (C)	£'000 (D)	£'000 (E)	£'000 (E-C)/Cx100	£'000 (C-D)
Apr-14	Jun-15	Oct-14	Sep-17	3,948	1,887	5,835	5,316	6,404	10%	519

Work started on phase 1 of the Council's Housebuilding Programme in October 2014 to construct 23 new homes for rent. This included 14 houses and 9 flats on four different sites in Waltham Abbey. However, the works did not progress in line with the original contract period, which had a completion date of 13 November 2015. A certificate of non-completion was served on the contractor Broadway Construction Ltd, and liquidated and ascertained damages were deducted from each payment at a rate of around £10,200 per week thereafter. These damages were set to reflect the loss of rent for the properties and the cost of employing consultants to continue to manage the contract.

On 1 June 2016, with approximately two-thirds of the value of works completed, the Council terminated the contract with Broadway Construction Ltd (BCL) as they were not regularly and diligently progressing with the works. In September, the Council House-building Cabinet Committee agreed the appointment of P A Finlay & Co Ltd for the recovery phase of the construction works at Phase 1 in the negotiated contract sum of £2,674,335. At the time, an additional contingency sum of £267,400 was included in the budget to allow for any unforeseen works.

In March 2017, the Council and BCL concluded an adjudication involving a dispute regarding the sum of £74,494.02 withheld by the Council under the terms of the contract. The adjudicator found in favour of the Council on three of the four points. However, on the fourth he found in favour of BCL, namely that the Council was not entitled to serve more than one pay less notice in relation to a payment notice. As a consequence, the Council had to pay over to BCL the sum of £74,494.02 plus interest amounting to £2,985.88.

P A Finlay & Co Ltd have progressed the works and as of the end of June 2017 the Council took possession of the first seven 3-bed houses across two of the four sites. Hand-over of the remaining homes are still on schedule for July (site 7) and September (Harveyfields and Red Cross B). The anticipated final account for the works package has now been revised to £3,423,888, which represents an increase of 16% above the original budget estimate. This increase is as a result of unforeseen ground contamination remediation works, drainage alterations, brickwork and window remediation, additional retaining structure and alterations required to the balconies. This leads to an overall increase in the anticipated outturn figure of £485,000 for Phase 1, including all construction costs, fees and site security costs. The actual expenditure figure to 30 June 2017 of £5,316,000 reported above includes outstanding retentions of £120,000.

HOUSE BUILDING PHASE 2

Original Start on Site Date	Original Finish Date	Actual Start on Site Date	Proposed Finish Date	Original Pre-Tender Forecast	Updates	Approved Budget	Actual Expenditure to Date	Anticipated Outturn	Variance Anticipated Outturn to Approved Budget	Approved Budget Unspent to Date
				£'000 (A)	£'000 (B)	£'000 (C)	£'000 (D)	£'000 (E)	£'000 (E-C)/Cx100	£'000 (C-D)
Feb-16	Mar-18	Mar-16	Apr-18	9,110	1723	10,833	3,763	11,216	4%	7,070

Phase 2 of the Housebuilding Programme achieved planning permission in September 2015 for 51 new affordable homes at Burton Road Loughton. The Contract was awarded to Mullalley & Co Ltd following a competitive tendering exercise in November 2015 in line with the Council's Contract Standing Orders based on price and quality. Interviews were also undertaken as part of this evaluation, attended by the Housing Portfolio Holder. The contract commenced in March 2016 in the adjusted tender sum of £9,847,179 based on a design and build contract with a contract period of 105 weeks. This compared to a pre-tender estimate of £8,125,000, which was based on rates in the second quarter of 2015, without any inflationary uplift. The lowest tender as originally received was around 16% above the estimated cost and it was the view of Pellings LLP that this was due to a number of inflationary pressures affecting the construction sector. The pre-tender forecast figure of £9,110,000 in the table above includes fees and other costs.

Mullalley & Co Ltd took possession of the site in March 2016 with work commencing in July 2016, having discharged the planning conditions and completing the detailed designs. In order to satisfy the planning conditions around ground contamination, trial excavations revealed contaminated ground below the garages and the forecourt slabs. As a result of this, additional works are required and delays of around 23-weeks have been claimed by the Contractor. Their entitlement is currently being evaluated by Pellings, who are the Council's Employers Agents. The additional costs for the works are estimated to be around £500,000, which excludes any loss and expense claims. Until the claim has been evaluated for entitlement the final account cannot be updated to reflect any loss and expense. Once agreed, the anticipated outturn figure will be revised accordingly. Likewise, the contract completion date remains at April 2018 until the claim has been determined. The actual expenditure figure to 30 June 2017 of £3,763,000 reported above includes an outstanding contract sum of £302,400 and a retention of £163,700.

**2017/18 DIRECTORATE CAPITAL MONITORING -
MAJOR SCHEMES**

HOUSE BUILDING PHASE 3

Original Start on Site Date	Original Finish Date	Actual Start on Site Date	Proposed Finish Date	Original Pre-Tender Forecast	Updates	Original Approved Budget	Actual Expenditure to Date	Anticipated Outturn	Variance Anticipated Outturn to Approved Budget	Approved Budget Unspent to Date
				£'000 (A)	£'000 (B)	£'000 (C)	£'000 (D)	£'000 (E)	£'000 (E-C)/Cx100	£'000 (C-D)
Feb-17	Feb-18	Apr-17	TBC	7,502	0	7,502	1,408	7,397	-1%	6,094

Works across each of the Phase 3 house-building development sites commenced, based on the following:

Scheme	Contract Sum	Start Date	Duration	Completion Date
Bluemans End	£753,034	02/05/2017	36 Weeks	17/01/2018
Parklands	£716,757	18/04/2017	56 Weeks	24/05/2018
Springfields & Centre Avenue	£1,408,126	18/04/2017	60 Weeks	21/06/2018
Stewards Green	£752,340	22/05/2017	34 Weeks	24/01/2018
London Road	£235,695	19/06/2017	36 Weeks	07/03/2018
Centre Drive	£300,285	09/10/2017	36 Weeks	13/06/2018
Queens Road	£2,320,493	TBC	82 Weeks	TBC

The development at Queens Road has taken longer to commence due to delays in reaching an agreement with UK Power Network (UKPN) over the lease needed to divert the underground power cables and reposition the electrical sub-station. The three-way agreement between UKPN, North Weald Parish Council and Epping Forest District Council was agreed in August 2017, which will enable the developer to start planning the works.

EPPING FOREST SHOPPING PARK

Original Start on Site Date	Original Finish Date	Actual Start on Site Date	Proposed Finish Date	Original Pre-Tender Forecast	Updates	Approved Budget	Actual Expenditure to Date	Anticipated Outturn	Variance Anticipated Outturn to Approved Budget	Approved Budget Unspent to Date
				£'000 (A)	£'000 (B)	£'000 (C)	£'000 (D)	£'000 (E)	£'000 (E-C)/Cx100	£'000 (C-D)
Mar-16	Oct-16	Sep-16	Sep-17	31,161	0	31,161	25,304	31,161	0%	5,857

The project budget includes the initial budgets approved for all preliminary costs incurred since 2010/11 plus the supplementary capital estimate of £30,636,000 approved by Cabinet in June 2015. It covers the purchase of Polofind's interest in July 2015, the development of the site at Langston Road by the Council as a sole owner, the costs allocated for Section 278 Highways Works as well as consultancy and other professional fees.

The construction of the Shopping Park commenced in September 2016 and was completed in June 2017; a substantial delay on the original proposed dates (Mar-16 and Oct-16 respectively). The original sum for the main construction contractor, McGlaughlin and Harvey, was £10,300,000 however this figure has risen due to various variations and tenant improvement works to a final contract sum of £10,405,000. The last contract payment for McGlaughlin and Harvey is expected to be paid in quarter 2 with a deduction for the retention.

Several tenants are currently fitting out their units, including Smyths Toys, Pets at Home, TK Maxx and Aldi, with Next taking possession in late August. Hobbycraft opened for business on 3rd August whilst several of the others are expected to open at the beginning of September. The anchor tenants have been secured and agreements for leases have been signed whilst several further units are currently under offer with the remainder continuing to be marketed. The Shopping Park will open on an ad-hoc basis from August 2017 with the expectation of being fully operational by December 2017. Capital payments to anchor stores are expected to be paid over the next two quarters; half being paid on access to the units with the other half payable on opening. The latest development appraisal still indicates a good return from the Council's investment.

Throughout the project, the Section 278 road improvement works have represented a major risk to the scheme with delays attributable to changing requirements from the Highways Authority. The main variations to the original design have come from the restrictions on working in the carriageway, revised drainage requirements, the re-location of the high pressure gas main and enhanced road repairs. These numerous variations have resulted in substantial additional costs with the final contract sum expected in the region of £3,900,000 to £4,200,000, although a small element of this will be recoverable from Essex County Council. These works are not expected to finish until late August 2017.

Report to the Finance and Performance Management Cabinet Committee

***Report Reference: FPM-011-2017/18
Date of meeting: 14 September 2017***



**Epping Forest
District Council**

Portfolio: Finance

Subject: Risk Management – Corporate Risk Register

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

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

Recommendations/Decisions Required:

- 1. To agree the updating of the Effectiveness of controls/actions and Required further management action for Risk 2;**
- 2. To agree the new Key date for Risk 4;**
- 3. To agree the updating of the Existing controls/actions to address risk for Risk 5;**
- 4. To agree the Required further management action and Key date for Risk 6;**
- 5. To consider whether there are any new risks that are not on the current Corporate Risk Register;**
- 6. To agree that the amended Corporate Risk Register be recommended to Cabinet for approval; and**
- 7. To consider and recommend the Revised Risk Management Strategy to Cabinet for adoption.**

Executive Summary:

The Corporate Risk Register and revised Risk Management Strategy were considered by the Risk Management Group on 23 August 2017 and by Management Board on 30 August 2017. These reviews identified amendments to the Corporate Risk Register and agreed that the revised Risk Management Strategy should be considered by this committee.

Reasons for Proposed Decisions:

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

Other Options for Action:

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

Report:

- 1. The Corporate Risk Register was reviewed by the Risk Management Group on 23 August 2017 and by Management Board on 30 August 2017. Amendments have been identified and incorporated into the register (Appendix 1).**

2. Risk 2 Strategic Sites – The Effectiveness of controls/actions have been amended to advise the updated position for the key sites. Negotiations are taking place with potential tenants for retail space at the Winston Churchill site. Negotiations continue with Epping Town Council for the St John's Road site. The Langston Road site is now operational, although there are one or two units still to let. Waltham Abbey Leisure Centre is now managed by Places for People, planning permission has been granted for Hill House. July Cabinet agreed to dispose of the Pyrles Lane site, Nursery Services will be relocated to Town Mead.
3. Risk 4 Finance Income – the Key date has been updated to advise that the draft budget will be considered at Finance and Performance Management Committee on 18th January 2018.
4. Risk 5 Economic Development –The Existing Controls/Actions now advise that the Employment Study for the Local Plan has been completed and considered at Member workshops. The Key date has been amended to December 2017.
5. Risk 6 Data/Information – The Required further management action has been updated to advise that a working group is meeting monthly looking into the necessary changes for implementing General Data Protection Regulation (GDPR). The deadline date for GDPR, 25 May 2018, has been added as the Key date.
6. This Committee undertook the annual review of the Risk Management Terms of Reference, Strategy and Policy Statement on 30 March 2017, with subsequent Cabinet Approval on 15 June 2017. Since this approval the Chief Internal Auditor has produced a revision to the Risk Management Strategy (Appendix 2). The revision has been developed to better explain the process, responsibilities and reporting of Risk Management.
7. Members are now asked to consider the attached updated Corporate Risk Register and whether the risks listed are scored appropriately and whether there are any additional risks that should be included.
8. Members are also asked to consider the revised Risk Management Strategy.

Resource Implications:

No additional resource requirements.

Legal and Governance Implications:

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

Safer, Cleaner, Greener Implications:

None.

Consultation Undertaken:

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

Background Papers:

None.

Impact Assessments:

Risk Management

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

Due Regard Record

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

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

Date / Name	Summary of equality analysis
01/09/17 Director of Resources	The purpose of the report is to monitor corporate risks. It does not propose any change to the use of resources and so has no equalities implications.

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Epping Forest District Council Corporate Risk Register

Date: 14 September 2017

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1. Introduction

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

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

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

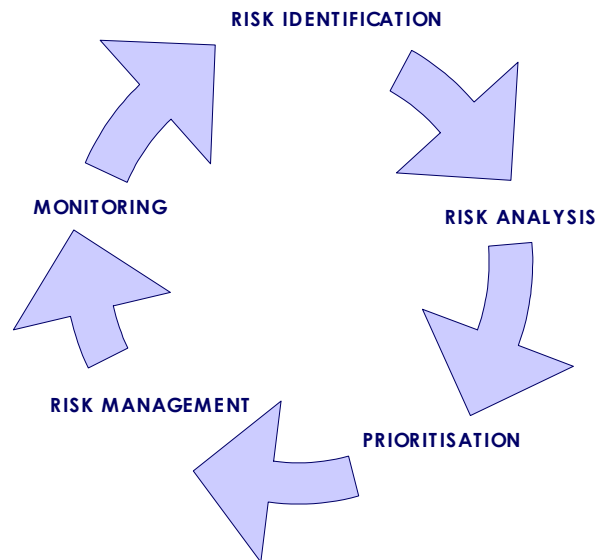
For the risks that were assessed with higher likelihood and impact, the group validated the risk scenarios and determined actions to manage them, including assessing the adequacy of existing actions and identifying the need for further actions in order to move the risk down the matrix.

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

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

2. The Process

The risk management cycle

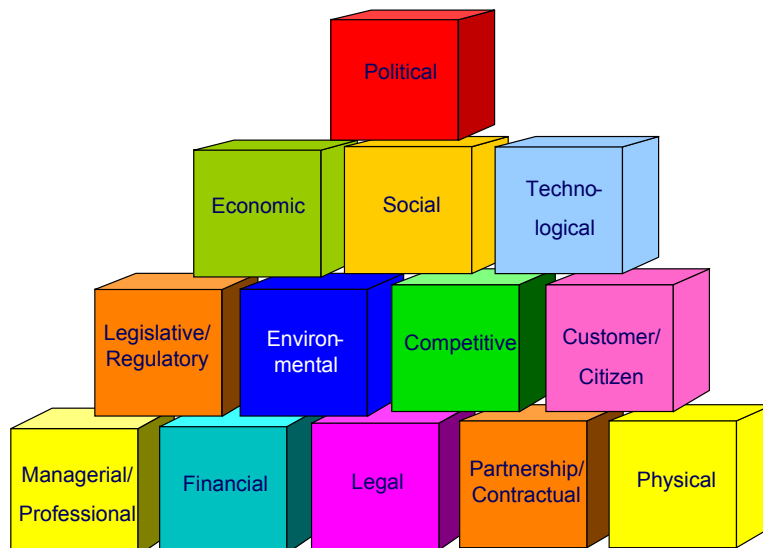


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Risk identification

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

Step 1- Risk identification



© Zurich

Risk analysis

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

Risk prioritisation

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

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

Risk management and monitoring

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

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

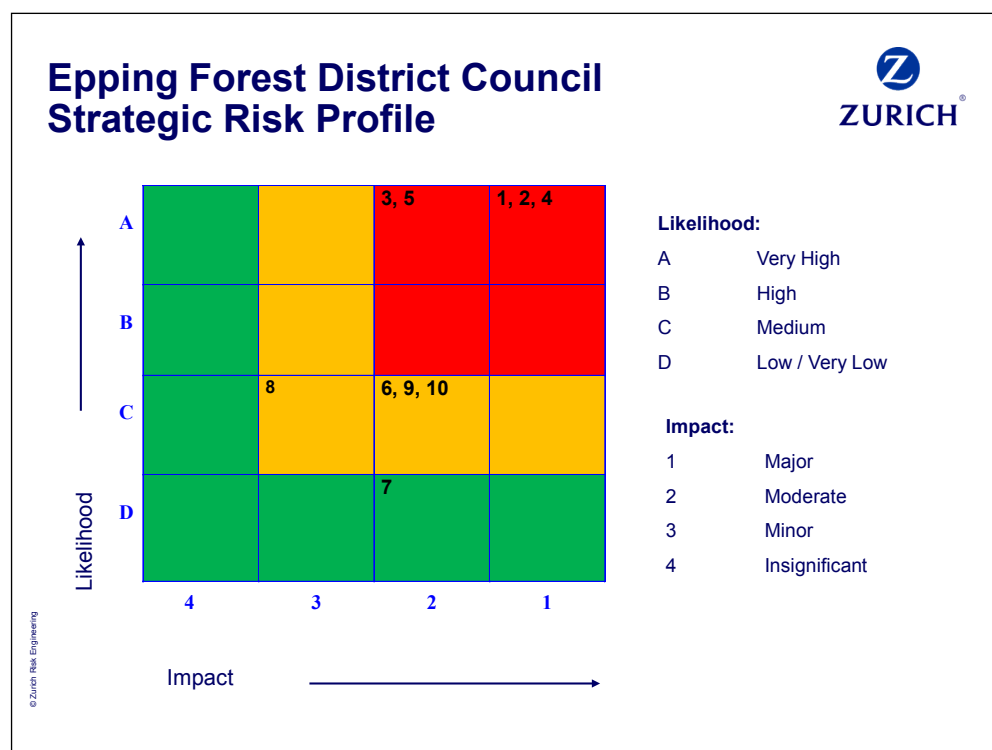
The monitoring of these action plans takes place at Corporate Governance Group, Management Board and the Risk Management Group. The action plans are also reported to Members quarterly.

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

Appendix 1 – Risk Profile

Risk profile

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



Appendix 2 details all of the above risks.

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

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

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

Appendix 2 – Corporate Risk Register and Action Plans

Risk No 1 Local Plan A1			
Vulnerability	Trigger	Consequence	Risk Owner
On-going changes to Planning system increase importance of having up to date Local Plan, in particular, Central Government's announcement that Local Authorities must complete by 2017 or face sanctions	Failure to make timely decisions and adhere to Local Development Scheme Project Plan.	Reduced ability to manage development in line with local priorities and provide strategic direction. Possible Government intervention through designation as a failing authority, loss of control over the local plan process and loss of new homes bonus.	Derek Macnab
Changes in government planning policy require new Local Plan to take approaches significantly different from predecessors e.g. Duty to Co-operate, release Green Belt.	Failure of Council to approve a draft plan in line with National Planning Policy Framework.	Plan not "sound", leading to further delay, wasted resources, and vulnerability to planning appeal decisions.	
Difficulties in implementing "Duty to Co-operate" may make it difficult or impossible to achieve "sound" Local Plan in timely fashion	Inability to agree, particularly on amount and distribution of objectively assessed development needs.	As above	
Particular vulnerability to delay in approvals from Highways England on strategic modelling delay and inability to understand impacts of delivering to objectively assessed need levels.	Failure to make timely decisions on Preferred Approach plan due to lack of required information	As above	
Protracted process of achieving local highway modelling	As above	As above	
Failure to make timely progress increases likelihood of "planning by appeal"	Failure to adhere to Local Development Scheme leads to developers making significant planning applications in advance of new Plan.	Significant diversion of professional resources to appeals. Risk of costs awards against Council.	
Planning policy recruitment and retention issues. Not considering alternative options of delivering work i.e outsourcing.	Inability to fill vacancies.	Delays in achieving timetable.	

Risk No 1 Local Plan – Action Plan

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Project management approach in place including regular updates, resource planning.	Project plan needs to incorporate more time for political engagement at key decision points.	Agree mechanisms and timing with lead members, incorporate in revised project plan	Derek Macnab	Future adherence to project plan.	MB review 6 weekly	None – process ongoing.
Local Development Scheme revised March 2017.	Local Development Scheme adopted by Cabinet 9 March 2017.	Review progress against key milestones.	Derek Macnab	Local Development Scheme remains robust	As necessary	
Workshops for EFDC and Town/Parish councillors on key issues to enhance awareness and understanding of new government requirements.	Workshops popular and helpful.	Supplement workshops with other forms of briefing to EFDC members as agreed with leading members.	Derek Macnab	Timely decision making in line with project plan.	As necessary	
Engagement with other key stakeholders e.g. ad hoc meetings with Town/Parish councils, Resident Associations and website, making positive use of external PR firm.	Utilising existing mechanisms including Local Council Liaison Committee. Intensive engagement takes place in lead up to formal consultations. Ongoing discussions being had around Neighbourhood Plans.	Assess responses to consultation.	Derek Macnab	Stakeholders feel well informed about process and decisions. Informed responses to public consultation.	As necessary	

Risk No 1 Local Plan – Action Plan						
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Systematic approach to Duty to Co-operate, engaging public bodies and developing Memorandum of Understanding (MoU) with key councils in the Strategic Housing Market Area (SHMA).	Difficulties and delay in engaging councils in serious discussion re MoU, however progress now being made. Meetings held with most other key bodies with positive outcomes, issues identified. Constant review of Planning Inspectorate local plan decisions re Duty to Co-operate.	Important that key decisions do not precede Duty to Co-operate i.e. “fait accompli”- Group is exploring additional items to be included on discussion agenda. Engage further key bodies e.g. Lee Valley Regional Park. Discuss informally with Planning Inspectorate as necessary.	Derek Macnab	Submitted plan passes legal test of Duty to Co-operate.	MB review six weekly	Officer Meetings – monthly now underway. Governance arrangements agreed. “Duty to Co-operate” Member meetings now ongoing.
Pursuit of MoU with Natural England regarding the effect of development on Epping Forest. Intention to extend MoU outside of SHMA Area to include neighbouring London Boroughs.	Effect as yet unknown	Invitation now extended to additional partners. Work to review outcomes of draft MoU has commenced.	Derek Macnab	Review and agreement of wider area MoU to include agreed mitigating actions.		As above
Consistent close working with Essex County Council through relevant structures, and individual officers	ECC and Highways England regular attendees at Co-op Member and Officer meetings.					
Consultants in place to support project management, resource planning, Sustainability Assessment, transport modelling, master planning. IR35 Regulations from 7 April complicating and compounding recruitment of consultants.	Staff cannot be prevented from leaving. Exit interviews should reveal any specific patterns. Market is picking up, making recruitment more difficult. EFDC is not offering the most competitive salaries compared to other Essex and London authorities.	Ongoing review of strategy by senior planners and Management Board. Scrutiny Function to be undertaken by Neighbourhood Select Committee.	Derek Macnab	No delays to timetable due to staffing gaps or lack of critical skills		

Risk No 2 Strategic Sites A1

Vulnerability	Trigger	Consequence	Risk Owner
The Council has a number of Strategic sites which it needs to make the right decisions about and then deliver on those decisions. One key individual is driving forward the projects.	Not maximising the opportunity of the strategic sites either through decisions or delivery. Loss of key individual	<ul style="list-style-type: none">Financial viability of Council harmedLack of economic development and job creationExternal criticism Project delayed or mismanaged	Derek Macnab

Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Work on strategic sites is co-ordinated through a dedicated Cabinet Committee. Page 70	Work is progressing on developing a number of sites: 1. Winston Churchill, negotiations taking place with potential tenants for retail space 2. St Johns, negotiations are ongoing with Epping Town Council; 3. Langston Road, in discussion with retailers as one or two units still to let; 4. Waltham Abbey Leisure Centre; leisure centres are now managed by Places for People and they are developing sites. Planning Permission has been granted for Hill House; 5. Pyrles Lane Nursery, July Cabinet agreed disposal strategy.	Complete letting of retail space. Identification of alternative Housing depot and re-location. Complete letting of last few units. Monitor construction of new centre. Nursery Services to re-locate to Town Mead.	Derek Macnab	Development of strategic sites completed in accordance with Cabinet decisions.	Monthly	None

Risk No 3 Welfare Reform A2						
Vulnerability		Trigger		Consequence		Risk Owner
The government has pledged to make substantial savings from the overall welfare bill. This will require a major reform of the welfare system which is likely to have serious impacts on the Council and the community. This includes Universal Credit, changes to Council Tax and other benefits and direct payments to tenants.		Welfare reform changes have a detrimental effect on the Council and community		<ul style="list-style-type: none">• Tenants no longer able to afford current/new tenancies.• Increase in evictions and homelessness• Increased costs of temporary accommodation• Unable to secure similar level of income due to payment defaults• Increase in rent arrears• Public dissatisfaction• Criticism of the Council for not mitigating the effects for residents.		Alan Hall
Existing Controls /actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Joint Benefits and Housing working group established. Mitigation action plan developed.	Two thirds of the actions have been implemented and the remaining actions are in abeyance pending Government announcements on Universal Credit.	Working Group to continue and amend mitigation action plan as necessary.	Alan Hall	A smooth implementation of welfare reforms. Minimise number and cost of redundancies.	Monthly	Start date for full version of universal credit still unclear.

Risk No 4 Finance Income A1						
Vulnerability		Trigger	Consequence			Risk Owner
<p>The Government are consulting on significant changes in responsibilities and financing. Despite four year settlements being in place further reductions still likely.</p> <p>A large number of rating appeals have been received and the outcome of these is uncertain.</p> <p>Welfare reform may require substantial change to the calculation and administration of benefits with a likely reduction in funding received.</p> <p>The medium term financial strategy requires substantial net CSB reductions over three years.</p>		Unable to secure required level of income due to reduced demand for services, changes in legislation or adverse change in funding mechanisms.	<ul style="list-style-type: none"> • Council unable to meet budget requirements • Staffing and service level reductions • Increase Council Tax • Increase in charges • Greater use of reserves if required net savings not achieved • Higher level of saving in subsequent years. 			Bob Palmer
Existing Controls /actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Monitoring of key income streams and NDR tax base. Savings opportunities pursued through service reviews and corporate restructure.	Effective to date as budgets have been achieved that meet the financial targets set by Members.	<p>Update Medium Term Financial Strategy as announcements are made on changes to central funding and welfare.</p> <p>Continue to pursue opportunities to reduce net spending.</p>	Bob Palmer	Savings targets achieved with net expenditure reductions over the medium term as part of a structured plan.	Monthly	18 January 2018, draft budget to Finance & Performance Management Cabinet Committee.

Risk No 5 Economic Development A2						
Vulnerability		Trigger	Consequence			Risk Owner
Economic development and employment is very important, particularly in the current economic climate. The Council needs to be able to provide opportunities for economic development and employment (especially youth employment) in the District.		Council performs relatively poorly compared to other authorities.	<ul style="list-style-type: none"> • Unable to secure sufficient opportunities • Local area and people lose out • Insufficient inward investment • Impact on economic vitality of area • Loss of revenue 			Derek Macnab
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
Members have agreed the key objectives to be delivered by the Economic Development Strategy. Work on final strategy has paused pending outcome of further evidence work e.g. Employment/Visitor Economy being undertaken as part of the Local Plan. Economic Development Team fully staffed.	Too early to determine effectiveness.	Amend and update following consultation on Local Plan.	Derek Macnab	Growth in NDR tax base and employment opportunities. Council to be viewed as punching above its weight.	Monthly	None
Employment Study for Local Plan completed and considered at Member workshops.	Effective to date.	Agreement on potential distribution of employment land required between partners in the Functional Economic Market Area.	Derek Macnab	Employment allocation in Reg. 19 submission, considered sound at Examination in Public.	Monthly	December 2017

Risk No 6 Data / Information C2						
Vulnerability		Trigger		Consequence		Risk Owner
The Authority handles a large amount of personal and business data. Either through hacking or carelessness, security of the data could be compromised.		Data held by the Council ends up in inappropriate hands.		<ul style="list-style-type: none"> Breach of corporate governance Increased costs and legal implications Reputation damaged 		Colleen O'Boyle
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Updated Data Protection policy agreed by Corporate Governance Group and rolling out through meta-compliance.</p> <p>Data Protection formed part of Member induction from May 2014, with requirement to confirm acceptance of the Council's DP policy.</p> <p>Consolidation of Data Protection and Freedom of Information work in one area.</p> <p>Security Officer is continually monitoring situation and potential risks. Most systems have in built controls to prevent unauthorised access.</p> <p>Controls in systems have been strengthened in response to specific occurrences.</p>	Generally effective to date, with no significant lapses so far in 2017/18.	<p>Update F.O.I. publication scheme and guide to information.</p> <p>New system for handling F.O.I. requests purchased and being implemented. Review after six months for extension to Data Protection.</p> <p>Data sharing and fair processing notices to be reviewed and standardised.</p> <p>Maintain GCSx compliance and system controls.</p> <p>A working group is meeting monthly looking at changes necessary for implementing GDPR.</p>	Colleen O'Boyle	<p>Continued security of personal data held by the Council in accordance with the Data Protections Act 1998.</p> <p>No criticism from the ICO over how requests are handled.</p> <p>No data loss or system downtime due to unauthorised access of EFDC systems or data.</p>	Quarterly	<p>None</p> <p>25 May 2018 deadline for GDPR.</p>

Risk No 7 Business Continuity D2						
Vulnerability		Trigger		Consequence		Risk Owner
<p>The Council is required to develop and implement robust Business Continuity Plans in line with the requirements of the Civil Contingencies Act.</p> <p>Following the consolidation into four directorates plans need to be updated and changes in responsibilities confirmed.</p>		Unable to respond effectively to a business continuity incident (e.g. IT virus/flu pandemic)		<ul style="list-style-type: none">Services disrupted / Loss of servicePossible loss of incomeStaff absenceHardship for some of the communityCouncil criticised for not responding effectively		Derek Macnab
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Most services already have business continuity plans in place and a separate flu pandemic plan has been developed.</p> <p>The Corporate Plan has been updated and adopted.</p>	The effectiveness of controls is assessed periodically through test and exercises	<p>Guidance to be issued to services on updating plans.</p> <p>Arrange periodic tests and exercises.</p>	Derek Macnab	Having plans in place which are proved fit for purpose either by events or external scrutiny.	Quarterly	None

Risk No 8 Partnerships C3						
Vulnerability		Trigger		Consequence		Risk Owner
<p>The Council is involved in a plethora of multi agency partnerships e.g. LSP - LEP, and these have a variety of governance arrangements.</p> <p>Localism act may cause transfer of Council services to providers with governance issues.</p>		Key partnership fails or services provided via arrangements lacking adequate governance.		<ul style="list-style-type: none"> Relationships with other bodies deteriorate Claw back of grants Unforeseen accountabilities and liabilities for the Council Censure by audit/inspection Adverse impact on performance 		Glen Chipp
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Active participation in key partnerships by appropriate officers/Members.</p> <p>Structured reporting back to designated Select Committee.</p> <p>Members can request representatives on outside bodies to report to Full Council.</p>	<p>No significant issues to date.</p> <p>Internal Audit conducted an audit of partnerships and gave a rating of substantial assurance.</p>	<p>Continue existing monitoring procedures for current partnerships and construct appropriate arrangements for any new partnerships.</p> <p>Service areas need to ensure their own risk registers cover any significant partnerships they are involved with.</p>	Glen Chipp	No significant impacts on service delivery or Council reputation from any partnership failures.	Quarterly	None

Risk No 9 Safeguarding C2			
Vulnerability	Trigger	Consequence	Risk Owner
<p>The Council needs to demonstrate its ability to meet its duties under Sections 11 and 47 of the Children Act 2004 and the Care Act 2014, which refer to adults with needs for care and support. This includes a specific responsibility for safeguarding adults from self-neglect.</p>	<p>The Council fails to meet its duties in regard to safeguarding children, young people and adults with needs for care and support.</p>	<ul style="list-style-type: none"> • A child, young person or vulnerable adult suffers significant harm • A child, young person or vulnerable adult suffers from exploitation • Avoidable death of a child, young person or vulnerable adult living in the District • Reputational risk for Council • Censure and special measures applied 	<p>Alan Hall</p>

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

Risk No 10 Housing Capital Finance		C2				
Vulnerability		Trigger	Consequence			Risk Owner
<p>If the Council is unable to spend right to buy receipts in set timescale on qualifying capital schemes we will have to pay the money to the Government along with interest at a penalty rate.</p> <p>Changes to legislation which reduce income to the HRA.</p> <p>The Government is introducing right to buy for tenants of housing associations financed through the forced sales of Council properties as they become void. The initial pilot is being expanded in 2017/18 with funding from the Treasury. What will happen beyond 2017/18 remains unclear.</p>		<p>Schemes are delayed by either the planning process or unanticipated site problems.</p> <p>Imposition of further restrictions on rent levels.</p> <p>Imposition of right to buy scheme which requires the disposal of a large proportion of the Council's void properties.</p>	<ul style="list-style-type: none"> • Loss of capital resources • Revenues cost of penalty interest • Loss of rental income • Delays in provision of new social housing • Increase in housing waiting list • Current 30 year business plan may become unsustainable. 			Alan Hall
Existing Controls/actions to address risk	Effectiveness of controls/actions	Required further management action	Responsibility for action	Critical success factors and measures	Review frequency	Key date
<p>Position being monitored by the House Building Cabinet Committee and a number of contingency options are available including purchasing on the open market.</p> <p>The Council belongs to the Association of Retained Council Housing which lobbies on such issues.</p>	<p>Effective to date.</p> <p>Too early to comment yet as the policy is still being developed.</p>	<p>Continue close monitoring of financial position.</p> <p>Keeping Members fully informed of the potential consequences of their actions.</p> <p>Monitor policy development/announcements and participate in lobbying if appropriate.</p>	<p>Alan Hall</p> <p>Alan Hall</p>	<p>Loss of right to buy receipts is minimised.</p> <p>No loss of Council properties to support right to buy for HA tenants.</p>	<p>Monthly</p> <p>Monthly</p>	Ongoing

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Risk Management Strategy

Definition

For the purpose of this strategy, risk is defined as any event or action that may have an impact on the achievement of the Council's objectives. Risk is measured in terms of impact and likelihood.

Risk management is the process to identify, assess and manage risks. Risk management is concerned with positive and negative aspects of risk. So as well as managing things that could have an adverse impact (downside risk) it also looks at potential benefits (upside risk). It can be applied holistically, and also be used on specific activities and projects, from the corporate to the operational.

Objective

The aims of risk management for the Council are to:

- Use risk management to promote innovation as well as to help secure existing objectives.
- Achieve a systematic, holistic and consistent approach to identifying and analysing risks which will be an integral part of all key management processes, rather than a separate initiative and will be developed using the simplest possible means.
- Embed risk management as an integral part of service, strategic and project planning and decision making.
- Embed the process within our established business planning process.

Achieving these aims will:

- Increase the possibility of success and reduce the chance of failure, as well as supporting innovation.
- Greater ability to deliver against objectives and targets, ensuring the delivery and continuity of our services.
- Helps better informed decision-making.
- Reduction in resources spent dealing with things going wrong.
- Reduce the number and cost of claims arising and improve our ability to defend them.

Roles and Responsibilities

The Finance and Performance Management Cabinet Committee will consider the Council's risk management strategy on an annual basis and recommend it to Cabinet for adoption. The Audit and Governance Committee will monitor and review the effectiveness of the risk management measures put in place.

The Director of Resources has strategic responsibility for risk management and the Finance Portfolio Holder fulfils the role of Lead Member for risk management. The Director of Resources is responsible, in conjunction with the Council's Insurers, for minimising the overall cost of inevitable claims which do arise.

Risk Management Strategy

To assist:

- The Risk Management Group will advise and support in the context of risks likely to have a significant impact on the achievement of the Council's objectives. The representatives on the Risk Management Group from each directorate will champion the risk management process within their directorate.
- Primary responsibility for identifying and managing significant operational and strategic risks arising from their directorate activities lies with the Directors, who should ensure that their teams carry out and record risk assessments where appropriate as a routine part of business planning and management activities.
- Any significant changes in risks and or assessments are to be notified by the relevant champion of that service to the Risk Management Group.
- Directors should notify the Director of Resources of any significant changes in service provision in order to enable them to ensure that appropriate and adequate insurance is in place.

The Chief Internal Auditor is responsible for monitoring the implementation and the effectiveness of the risk management strategy and for monitoring compliance with controls introduced by directorates, as part of the ongoing audit programme. Internal Audit will communicate the management implications during the course of Audits and report to Directors as necessary.

As a reminder, all employees are responsible for managing risk effectively in their jobs and to identify and report risk.

Monitoring, Review and Reporting Arrangements

- The Risk Management Group will report annually to the Finance and Performance Management Cabinet Committee (F&PMCC) to update the Risk Management Strategy. F&PMCC will receive quarterly updates from the Risk Management Group.
- The Audit and Governance Committee will consider the effectiveness of risk management measures annually.
- Management Board will consider progress on action plans on a quarterly basis.
- Service plans will include operational risks and action plans. The Risk Management Group and the Corporate Governance Group will monitor and review the Corporate Risk Register.
- Risk management training will be provided to Members, Directors, Champions and other senior managers, with the aim of ensuring that they have the appropriate skills necessary to identify, evaluate and control risks associated with the services they provide. Training will be provided through the Resources Directorate.
- This strategy will be clearly communicated to members and staff and will be subject to review on an annual basis by the Risk Management Group.

Risk Management Strategy

The Risk Management Process

Risk management as depicted below involves five key stages, known as the 'risk management cycle'. This is described in more detail in Appendix A.



Future Actions

Risk management is a dynamic process, constantly evolving and this is true for Epping Forest. During 2017/18 the Risk Management Group has agreed directorate risk registers will follow the corporate template, keeping the 4x4 matrix, and discussed how these can be incorporated in the Council's new project and performance system, Covalent. Development of the Covalent system, including the recording and reporting of risk and identifying interdependencies between risks, will continue during 2017/18 and beyond.

Alongside this the Council will develop and articulate its risk appetite, which can be defined as the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives. Organisations will have different risk appetites depending on their sector, culture and objectives. A range of appetites will exist for different risks and these may change over time.

Whilst risk appetite is about the pursuit of risk, risk tolerance is about what an organisation can actually cope with. In part, the Council has defined its risk appetite through its scoring matrix (see Appendix 2) and this, with the Council's risk tolerance, will be further articulated through risk management workshops facilitated by Internal Audit.

Risk Management Strategy

Appendix A – Risk Management Process

Epping Forest's Risk Management Process

There are five key stages: identification of risks, assessment of these, responding to the risk (usually through controls), monitoring the effect of these and reporting.



1. Risk identification

Identification and understanding the risks to which the Council is exposed is essential to the effective delivery of public services. The starting point is to consider the Council's corporate and service objectives and ask in what way we might be prevented from achieving them. On what does the successful delivery of the service depend?

Risk is not always a bad thing, as there is no activity without risk. Risk can present opportunities and these need to be maximised, subject to a risk management approach. For example, opportunities may exist to generate income or improve a service where risks can be taken.

A distinction should be drawn between risk and hazard. A hazard is an activity with a potential for harm. A risk is the likelihood of that harm being realised. For example, the hazard may be using a vehicle and the risk would be having an accident. There can be many hazards around but it is only when people, systems, property etc. are exposed to them that they become risky.

2. Risk assessment

Having identified areas of potential risk, the following aspects must be assessed:

- **Impact** – what would the effect be if the risk was to occur?
- **Likelihood** – what is the probability of the risk occurring?

This is done using the assessment criteria defined in Appendix B and should be undertaken twice. The first time assessed as inherent risk (i.e. before risk mitigation strategies/controls) are put in place and then as residual risk (i.e. after risk mitigation strategies/controls) have been put in place. This is to help the risk owner identify whether the right controls are in place and if so are they working as expected to reduce the risk to an acceptable level. This forms part of the 'monitor' (section 4) of the risk management cycle.

Sometimes the phrases gross risk and net risk are used instead of inherent or residual risk.

Risk Management Strategy

3. Responding/managing risk

Using the risk criteria in Appendix B produces a risk rating score that will enable risks to be prioritised using one or more of the four Ts:

- **Tolerate** – accept the risk as currently presented
- **Treat** – take cost effective action to reduce the risk
- **Transfer** – let someone else share or take the risk (e.g. by insurance, partnering or contracting)
- **Terminate** – agree that the risk is too great and cease the project or activity (although this is not always feasible in local government)

In terms of risk controls it is helpful to consider what would bring about the risk (the cause) and what would be the outcome of the risk occurring (the consequence).

4. Monitor and review

Few risks remain static and it is important to know and understand what is happening. This can be achieved through regularly monitoring progress in order to:

- gain assurance that progress is being made towards controlling risks
- ensure that control measures continue to be applied
- monitor changes to the risk profile brought about by circumstances and business priorities e.g. new legislation and whether a fresh risk assessment is required
- consider if new risks or opportunities arising need to be added or current ones removed

There is no set review period as risk management should be a dynamic process but the suggestion is this should be undertaken at least quarterly.

5. Reporting

This is detailed in the main part of the strategy under 'Monitoring, Review and Reporting Arrangements' including reporting at the corporate level and to Members.

Directors via their Assistant Directors are responsible for maintaining operational risk registers and any significant new or emerging risks should be reported to the Risk Management Group via the risk champions sitting on that group. If it is a fast paced risk then the Director of Resources should be informed especially if the next Risk Management Group is too far in advance.

Appendix 2

Risk Management Strategy

Appendix B – Risk assessment matrix

Likelihood	Definite >90% has happened or has happened on a regular basis over the last 12 months	A Very high (Almost certain)	A4	A3	A2	A1
	Occurs in most circumstances 55% to 90%. Or has happened once or twice in the last 2 years	B High (Likely)	B4	B3	B2	B1
	Occurs in certain circumstances 10% to 55% or has happened once or twice in the last 5 years.	C Medium (Possible)	C4	C3	C2	C1
	Occurs exceptionally/very unlikely <10% or has not happened in the last 5 years	D Low/very low (Unlikely/rare)	D4	D3	D2	D1
			4 Insignificant	3 Minor	2 Moderate	1 Major
Impact		Financial	Loss/overspend under £10K	Loss/overspend £10K-£250K	Loss/underspend £250K-£1M	Loss/underspend over £1M
		Service	Marginal disruption to service capability	Short term disruption to service or marginal reduction in service. Objectives of one section not met.	Short term loss of service or significant reduction service. Directorate objectives not met.	Medium/longer term loss of service. Failure to deliver at least one the Council's corporate objectives.
			Unlikely to cause complaint/litigation	High potential for complaint with possible litigation	High potential for complaint with probable litigation	Litigation almost certain and difficult to defend.
		Reputation	No adverse publicity	Minor adverse publicity	Adverse national publicity/significant adverse local publicity	Significant adverse national publicity
		Legal/regulatory	Breaches of local procedures/standards	Breaches of regulations/standards	Breaches of law punishable by fines	Breaches of law punishable by imprisonment
		Environmental/Public Health	Incident with no lasting effect	Short term incident (weeks)	Medium term major incident (1 month – 1 year)	Long term major incident (1 year +)
		Health and Safety	'First Aid' level injury	Medical treatment required – long term injury	Extensive permanent injury – long term absence	Fatality

Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Report Reference: FPM-012-2017/18

Date of meeting: 14 September 2017

Portfolio: Finance

Subject: Annual Governance Report

Responsible Officer: Bob Palmer – (01992 564279)

Democratic Services Officer: Rebecca Perrin - (01992 564532)

Recommendations/Decisions Required:

To note the External Auditor's Annual Governance Report.

Executive Summary:

The External Auditors will present their Annual Governance Report to the Audit and Governance Committee on 18 September 2017. The report has been placed on this agenda to ensure that members of this Committee are aware of the key issues raised.

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

Reasons for Proposed Decisions:

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

Other Options for Action:

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

Report:

1. International Standard on Auditing 260 requires the External Auditor to report to those charged with governance certain matters before they give an opinion on the Statutory Statement of Accounts. The External Auditor has indicated that their audit of the Council's Statutory Statement of Accounts for 2016/17 is nearly complete and that they wish to present their report to the Audit and Governance Committee on 18 September.

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

Resource Implications:

None.

Legal and Governance Implications:

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

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

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

Risk Management:

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

Due Regard Record

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

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

Date / Name	Summary of equality analysis
29/08/17 Director of Resources	The report is to highlight any concerns arising from the external audit. It does not propose any change to the use of resources and so has no equalities implications.

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