

Public Document Pack



Steve Atkinson MA(Oxon) MBA FIoD FRSA
Chief Executive

Date: 16 October 2015

Hinckley & Bosworth
Borough Council

A Borough to be proud of

**To: Members of the Finance, Audit & Performance
Committee**

Mrs R Camamile (Chairman)
Mr P Wallace (Vice-Chairman)
Mr DS Cope
Mr KWP Lynch

Mr LJP O'Shea
Miss DM Taylor
Mr HG Williams

Copy to all other Members of the Council

(other recipients for information)

Dear Councillor,

There will be a meeting of the **FINANCE, AUDIT & PERFORMANCE COMMITTEE** in the De Montfort Suite - Hub on **MONDAY, 26 OCTOBER 2015** at **6.30 pm** and your attendance is required.

The agenda for the meeting is set out overleaf.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R Owen'.

Rebecca Owen
Democratic Services Officer

A G E N D A

1. APOLOGIES AND SUBSTITUTIONS

2. MINUTES OF PREVIOUS MEETING (Pages 1 - 4)

To confirm the minutes of the meeting of the Finance Audit & Performance Committee held on 07 September 2015.

3. ADDITIONAL URGENT BUSINESS BY REASON OF SPECIAL CIRCUMSTANCES

To be advised of any additional items of business which the Chairman decides by reason of special circumstances shall be taken as matters of urgency at this meeting.

4. DECLARATIONS OF INTEREST

To receive verbally from members any disclosures which they are required to make in accordance with the Council's code of conduct or in pursuance of Section 106 of the Local Government Finance Act 1992. **This is in addition to the need for such disclosure to be also given when the relevant matter is reached on the Agenda.**

5. QUESTIONS

To hear any questions in accordance with Council Procedure Rule 10.

6. INTERNAL AUDIT PROGRESS REPORT (Pages 5 - 20)

Report of the internal auditor.

7. EXTERNAL AUDIT ANNUAL AUDIT LETTER 2014/2015 (Pages 21 - 28)

Report of the external auditor.

8. SERVICE REVIEW UPDATE - STREET SCENE SERVICES AND ENVIRONMENTAL HEALTH (Pages 29 - 32)

Report of the Deputy Chief Executive (Corporate Direction).

9. BUDGET STRATEGY 16-17 (Pages 33 - 42)

Report of the Deputy Chief Executive (Corporate Direction).

10. WORK PROGRAMME (Pages 43 - 44)

Work programme attached.

11. ANY OTHER ITEMS OF BUSINESS WHICH THE CHAIRMAN DECIDES HAVE TO BE DEALT WITH AS MATTERS OF URGENCY

12. MATTERS FROM WHICH THE PUBLIC MAY BE EXCLUDED

To consider the passing of a resolution under Section 100A(4) of the Local Government Act 1972 excluding the public from the undermentioned item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 and 10 of Schedule 12A of the 1972 Act.

13. FRAUD AND CORRUPTION UPDATE (Pages 45 - 50)

Report of the Deputy Chief Executive (Corporate Direction).

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Agenda Item 2

HINCKLEY AND BOSWORTH BOROUGH COUNCIL

FINANCE, AUDIT & PERFORMANCE COMMITTEE

7 SEPTEMBER 2015 AT 6.30 PM

PRESENT: Mrs R Camamile - Chairman
Mr P Wallace – Vice-Chairman

Mr DS Cope, Mr KWP Lynch, Miss DM Taylor and Mr HG Williams

Also in attendance: Councillor MJ Surtees

Officers in attendance: Ilyas Bham, Matt Burns, Malcolm Evans, Julie Kenny, Sanjiv Kohli, Joseph Matharu, Rebecca Owen and Katherine Plummer

134 APOLOGIES AND SUBSTITUTIONS

Apologies for absence were submitted on behalf of Councillor O'Shea.

135 MINUTES OF PREVIOUS MEETING

It was moved by Councillor Taylor, seconded by Councillor Wallace and

RESOLVED – the minutes of the meeting held on 10 August be confirmed and signed by the Chairman.

136 DECLARATIONS OF INTEREST

No interests were declared at this stage.

137 STATEMENT OF ACCOUNTS

Members received the Statement of Accounts for 2014/15. During discussion, the transfer of the bus station car park to the Crescent developer and the profit share arrangement on the landholding were discussed.

RESOLVED – the report be endorsed and Council be RECOMMENDED to approve the Statement of Accounts.

138 ISA 260 - REPORT TO THOSE CHARGED WITH GOVERNANCE

The Committee received the ISA260 report to those charged with governance in its capacity as an Audit Committee. It was noted that outstanding issues highlighted in the report had been resolved. In her presentation, the Auditor explained that the Council had a legal responsibility to set a balanced budget and expressed concern that, at the present time, this process was not as advanced as it should be. She highlighted the forecast gaps in the budget and the need to make decisions to address these as soon as possible.

Members of the Committee shared the concern of the Auditor and felt that the Executive should be requested to give urgent consideration to the matter. It was moved by Councillor Camamile, seconded by Councillor Williams and

RESOLVED – the concerns of the Committee be raised with the Executive and the Executive be urged to give clear direction to Council as

to the financial sustainability in order to set a balanced budget for 2015/16 onwards.

139 INTERNAL AUDIT PROGRESS REPORT

Members received an update on progress against the 2015/16 Internal Audit Plan. It was requested that a report be brought to the next meeting on those updates that were overdue.

140 TREASURY MANAGEMENT

The Committee was informed of the Council's Treasury Management activity in the first quarter of 2015/16 to ensure that the council achieved value for money in relation to investment.

141 AGED DEBT IN COMMERCIAL PROPERTY

Following a request at the previous meeting, members received a report on aged debt in relation to commercial property. It was noted that the local press had reported incorrect figures from the report to the previous meeting and it was confirmed that the authority was not owed £500,000 rent. Members asked how the level of debt compared with previous years, and it was agreed that this would be reported to members.

142 PERFORMANCE MANAGEMENT FRAMEWORK - 1ST QUARTER

The committee received the first quarter outturn position for performance indicators, service improvement plans, corporate risks and service area risks. It was explained that 'red' risks were constantly under review.

143 FINANCE, AUDIT & PERFORMANCE SERVICE REVIEW - CORPORATE GOVERNANCE & ICT

Members were updated on the financial, performance and risk position of Corporate Governance and ICT as part of the programme of service reviews. It was noted that an underspend was currently forecast but that salary savings would be used by the year end.

144 WORK PROGRAMME

The work programme was noted.

145 DISCUSSION ON TRAINING NEEDS OF THE COMMITTEE

It was suggested that the committee could visit a high performing audit committee as part of a training exercise and acknowledged that attendance at training sessions for the committee was often poor.

146 MATTERS FROM WHICH THE PUBLIC MAY BE EXCLUDED

On the motion of Councillor Taylor seconded by Councillor Wallace, it was

RESOLVED – in accordance with section 100A(4) of the Local Government Act 1972, the public be excluded from the following item of business on the grounds that it involves the disclosure of exempt information as defined in paragraphs 3 and 10 of Part I of Schedule 12A of that Act.

147 SECTION 106 DEBT

Following a request at the previous meeting, members received a report on Section 106 debt over 120 days old. It was acknowledged that some had not been progressed as expediently as they could have been, but that new processes had been implemented and the system was now closely monitored.

(The Meeting closed at 8.00 pm)

CHAIRMAN

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Internal Audit Progress Report

Update to the Finance, Audit and Performance Committee on Internal Audit Activity

October 2015



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| | |
|-----------------------------|---|
| Distribution list | Finance Audit and Performance Committee, Joint Boards |
| <hr/> | |
| Background and scope | The purpose of this report is to provide a progress update on the agreed 2015/16 internal audit plan. |
| <hr/> | |

Plan outturn

2015/16 Audit Plan

During the first few months of the new internal audit contract the internal auditors have been engaging with senior officers at the Council to build on their knowledge and understanding of the council and its operations. In addition work has been undertaken to plan and scope some reviews and internal audit has attended a number of meetings at the council such as CDMT, Project Forum and Service Managers meetings. Internal audit has also conducted a training session for members of the Finance Audit and Performance Committee in conjunction with the council's external auditor.

As the Council's external audit for 2014/2015 has now been concluded, PwC has taken on the provision of the Internal Audit service. Richard Bacon, a partner of PwC will assume the role of the Council's Head of Internal Audit and operationally Chris Dickens will lead the service supported by Kate Mulhearn, Susannah Leask and other resources as required.





Since the previous progress report submitted by the Interim Head of Internal Audit, a report on Project Management has been completed and a draft report issued. We hope to have finalised the report by the time of the FAP meeting. Details of this and other activity are shown later in the report.

We have also engaged with the Council's new external audit provider (Ernst & Young) and discussed how we will work together to provide the appropriate assurance to the Council and to avoid any duplication. We have also met with the Interim Chief Financial Officer.

A statement tracking assignments undertaken and planned activity is shown in Appendix One. At the time of writing this report we have completed 22 days (19%) of the planned audit days. Work will increase in the next few months and internal audit will continue to keep members informed of progress.

Activity and Progress

This section will provide a summary of all final reports issued since the previous Committee meeting.

| Ref | Name of audit | Conclusion | Date final report issued | No of recommendations made | | | |
|-------|--------------------|---------------------|--------------------------|--|--|--|---|
| | | | |  Critical |  High |  Medium |  Low |
| 01/16 | Project Management | Moderate Assurance* | Draft at this stage | 0 | 0 | 1 | 4 |
| | | | | | | | |
| | | | | | | | |

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We summarise the main findings from these reports below:

01/16 Project Management * At the time of writing this update, the report had been issued in draft and management responses were being drafted. If there is any change to the overall rating or the individual findings this will be communicated at the meeting.

The Council has a wide variety of projects that are currently being monitored through the project forum. The wide variety of these projects and the extent to which they are controlled or managed by the Council means that it is not easy to apply a consistent approach to project reporting and monitoring. However there are some key elements which apply across all projects such as cost (or budget), timescales, benefits realisation, risks and issue management. The introduction of a standard reporting and Management Information (MI) tool will allow effective monitoring of key projects and ensure that the Project Forum focusses on those areas of greatest priority. An example of a report pack was included as an appendix to this report and has now been rolled out.

The new Performance Management Framework will help to improve consistency and quality across projects, however it is clear that the current projects are at different stages of completion and have varying levels of documentation to support a formal project management approach. It is unlikely that real value will be obtained by recreating a history of the existing projects to fit the new framework. Instead the framework should apply to all new projects.

Throughout the course of this review it has become apparent that there is significant reliance on one individual who is currently a contractor working at the council. Whilst it is admirable that the council is maximising the value obtained from this contractor, there is a concern that he has become a 'single point of

failure' and the council could be exposed if he was unavailable for any reason. In addition there is some question over whether the existing contractual terms cover all of the activities currently being undertaken by this individual.

There was some confusion over when some of the projects would be classed as completed. In particular The Crescent completion date could be based on a number of key actions. Similarly the RGF funding includes a need for monitoring for a number of years after the work has been completed. Some clarification over completion dates would be helpful.

A limited discussion around the Channel Shift project raised some initial concern over the implementation timescales as the procurement process for a new system had not commenced at the time of the review. In addition, it was not clear what the Council's financial exposure would or could be in the event of one of the partners failing to fulfil its funding conditions. Subsequently, the Council has looked at the original bid for funding and checked the determination it was given when the funding was allocated. There is nothing within this to suggest that the funding could be at risk of clawback.

There appears to be a very good informal approach to governance across the projects. The size of the authority and the fact that there is good visibility across the senior officers within the council means that there is a high level of awareness of project performance and risks and issues. This ensures a good level of control but also highlights the need for more formal documentation of project governance and the impact that the large number of projects can have on senior officer's time.

Fieldwork and draft reports

Work is progressing in the following areas:

- Project Management – Internal audit will continue to attend meetings of the Project Forum and to provide support and challenge to the council in this key area.
- Business Control Service – review commenced 5th October.
- Safeguarding – review commenced 12th October.
- Financial systems – scoping meeting held and terms of reference being produced.

Other activity

Scoping meetings are now in place for all Q3 reviews.

Internal audit has also reviewed the Council's Risk Management framework and Project Management framework and provided feedback on each. Internal audit has also conducted a training session for members of the Finance Audit and Performance Committee in conjunction with the council's external auditor.

Appendix 1 - Internal audit detailed progress tracker

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| <i>Ref</i> | <i>Auditable unit</i> | <i>Indicative number of days*</i> | <i>Actual audit days to date</i> | <i>Scoping meeting date</i> | <i>Proposed fieldwork dates</i> | <i>Proposed draft report date</i> | <i>Proposed management response date</i> | <i>Proposed final report date</i> | <i>Audit Committee reporting date</i> |
|------------|--|-----------------------------------|----------------------------------|-----------------------------|---------------------------------|-----------------------------------|--|-----------------------------------|---------------------------------------|
| A1 | Finance Systems | 20 | 2 | September 2015 | Q3 | | | | March 2016 |
| A2 | Medium Term Financial Strategy | 5 | 0 | | Q3 | | | | March 2016 |
| A5 | Corporate Governance and Risk Management | 7 | 0 | | Q3 | | | | February 2016 |
| A6 | Partnerships / Joint Arrangements | 5 | 0 | | Q4 | | | | May 2016 |
| A7 | Project Management | 15 | 12 | August 2015 | Q2 | 2 nd October 2015 | 16 th October 2015 | 23 rd October 2015 | October 2015 March 2016 |
| A14 | Safeguarding | 10 | 2 | August 2015 | 12 th October 2015 | 6 th November 2015 | 20 th November 2015 | 27 th November 2015 | December 2015 |
| B1 | Housing Rents | 5 | 0 | | Q4 | | | | May 2016 |
| B2 | HRA Investment | 5 | 0 | | Q3 | | | | February 2016 |

| <i>Ref</i> | <i>Auditable unit</i> | <i>Indicative number of days*</i> | <i>Actual audit days to date</i> | <i>Scoping meeting date</i> | <i>Proposed fieldwork dates</i> | <i>Proposed draft report date</i> | <i>Proposed management response date</i> | <i>Proposed final report date</i> | <i>Audit Committee reporting date</i> |
|---------------------------------------|----------------------------------|-----------------------------------|----------------------------------|-----------------------------|---------------------------------|-----------------------------------|--|-----------------------------------|---------------------------------------|
| Plan | | | | | | | | | |
| B3 | Building Control Service | 5 | 1 | July 2015 | 5 th October 2015 | 23 rd October 2015 | 6 th November 2015 | 13 th November 2015 | December 2015 |
| B4 | Town Centre Management - Markets | 5 | 0 | | Q3 | | | | February 2016 |
| B5 | Recycling and Refuse Collection | 5 | 0 | | Q4 | | | | May 2016 |
| C1 | Housing Repairs | 5 | 0 | | Q3 | | | | December 2015 |
| D1 | Council Tax | 5 | 0 | | Q3 | | | | March 2016 |
| D2 | Business Rates | 5 | 0 | | Q3 | | | | March 2016 |
| M1 | Audit Management | 10 | 5 | n/a | n/a | n/a | n/a | n/a | n/a |
| Total days (excl. contingency) | | 112 | 22 | n/a | n/a | n/a | n/a | n/a | n/a |
| Contingency | | 3 | 0 | | | | | | |

| Ref | Auditable unit | Indicative number of days* | Actual audit days to date | Scoping meeting date | Proposed fieldwork dates | Proposed draft report date | Proposed management response date | Proposed final report date | Audit Committee reporting date |
|------------|-----------------------|-----------------------------------|----------------------------------|-----------------------------|---------------------------------|-----------------------------------|--|-----------------------------------|---------------------------------------|
| | Total days | 115 | 22 | n/a | n/a | n/a | n/a | n/a | n/a |

* Where appropriate and in agreement with client management, we are able to flex our audit service to include more senior or specialist staff to respond to the risks generated by audit reviews. Where we do this we effectively agree a fixed fee for the audit work which is derived from the combined fees of the planned audit days allocated to this audit review during the annual planning process.

Appendix 2 – Outstanding audit actions – TrAction report

| Audit Title | Finding Heading | Finding Rating | Action Reference | Agreed Action | Action Status | Responsible People | Implementation Deadline | Days Overdue | Status |
|-------------------------------|--|----------------|------------------|--|---------------|---|--|--------------|---|
| CWAS - Brought forward issues | Homelessness - Orchard system | Advisory | New | Council should review the effectiveness of the Orchard system for the homelessness service | Open | Jo Wykes | 01/01/2012 Revised implementation date suggested 31/12/15 | 1375 | Updated 8/10 Have compared P1E data on Orchard against manual records and they are incompatible. Will require further investigation to establish where recording errors are being made, identifying if further training is required for staff and evaluating if Orchard. Will compare Quarter 3 (1st July to 30th September 2015) and drill down to find where the errors occur. |
| CWAS - Brought forward issues | VOA and CT System Reconciliation | Advisory | New | The discrepancies should be investigated and rectified. | Open | Leigh Butler, Sally O Hanlon, Storme Coop, Sue Williams | 31/03/2014 Revised implementation date suggested 1/10/16 | 555 | Updated 2/10 The Council Tax Team are currently prioritising their resource and training plan in order to train the new generic team and bring their workload up to date. Claire Stone will progress the work with the valuation office once this higher priority work plan has been completed. |

| | | | | | | | | | |
|-------------------------------|--|----------|-----|---|------|------------|--|-----|---|
| CWAS - Brought forward issues | Procedure notes | Advisory | New | Consideration should be given for another person within the HR/Payroll Section to follow the procedure notes to ensure that the payroll could be processed in the absence of the Payroll Assistant. | Open | Julie Stay | 30/09/2014 Revised implementation date suggested 31/3/16 | 372 | Updated 5/10 A complete reworking of the procedures notes is required - the payroll officer has been tasked to complete the 28 sections of the procedures notes, at present 5 are complete. they have been tasked to complete 4 sections per month up to 31 March 2016 |
| CWAS - Brought forward issues | Assurance processes | Advisory | New | An assurance process should be introduced to review samples of officer assessments of applications and banding decisions, allocations to properties and nominations to Housing Associations. | Open | Jo Wykes | 31/07/2015 | 68 | Outstanding |
| CWAS - Brought forward issues | Comparative management review | Advisory | New | Comparative information about annual numbers of applications received or allocations made between years should be collected for performance management purposes and to enable review of individual officers. It would be helpful if workload could be tracked and an Indicator of complexity of caseload devised. | Open | Jo Wykes | 31/07/2015 Revised implementation date suggested 31/12/15 | 68 | Updated 8/10 Training required on reports |
| CWAS - Brought forward issues | Compliance with policies around advertising properties | Advisory | New | Management information should be produced to enable officers to monitor the advertising of vacancies to ensure that the policies relating to the advertising of properties in the sub-region are adhered to. | Open | Jo Wykes | 31/07/2015 | 68 | Updated 8/10 Discussed at CBL steering group and no other authorities monitor this information |

| | | | | | | | | | |
|-------------------------------|---|----------|-----|--|------|-------------------|--|----|---|
| CWAS - Brought forward issues | Reporting and monitoring | Advisory | New | Management should consider reporting specific information on the value and age profile of rent arrears for both current and former tenants. | Open | Madeline Shellard | 01/09/2015 | 36 | Outstanding In Madeline's absence other staff are reviewing this action. |
| CWAS - Brought forward issues | Annual Review of Applications | Advisory | New | Officers should consider reinstating an annual review of applicants' circumstances. | Open | Jo Wykes | 30/09/2015 Revised implementation date suggested 31/10/15 | 7 | Updated 8/10 Training for staff on annual renewals has commenced |
| CWAS - Brought forward issues | R1 | Advisory | New | Management should ensure any ongoing corporate plan sickness targets link suitably to absence triggers within the revised Attendance Management Framework | Open | Julie Stay | 30/09/2015 | 7 | Outstanding |
| CWAS - Brought forward issues | 3.3 Information Security Incident & Event Reporting | Advisory | New | Documented security incident and event reporting procedures should be extended to cover paper documents and should be approved by both the SIRO and members. | Open | Julie Kenny | 30/09/2015 | 7 | Outstanding |
| CWAS - Brought forward issues | 3.1 Information Governance Framework | Advisory | New | A documented Information Governance Management Framework should be produced that follows the headings provided in the guidance included as part of the IG Toolkit. | Open | Julie Kenny | 30/09/2015 | 7 | Outstanding |

| | | | | | | | | | |
|--|--|----------|-----|--|------|-------------|------------|---|-------------|
| CWAS - Brought forward issues | 3.2 IG Policies/Strategies | Advisory | New | All IG related policies should be regularly reviewed to ensure they are up-to-date. As best practice, a date the policy should be reviewed by should be incorporated into the policy and the policy date changed upon review (whether or not changes were required). | Open | Julie Kenny | 30/09/2015 | 7 | Outstanding |
|--|--|----------|-----|--|------|-------------|------------|---|-------------|

Appendix 3 -Thought leadership publications

As part of the regular reporting to you we plan to keep you up to date with emerging thought leadership published by PwC. The PwC Public Sector Research Centre produces a range of research and is a leading centre for insights, opinion and research on best practice in government and the public sector.

All publications can be read in full at www.psrc.pwc.com/

To own or not to own: realising the value of public sector assets

The drivers of fiscal austerity will continue to frame decisions, and the ongoing reform of public services, for the rest of this Parliament.

Setting out the Spending Review, the Chancellor emphasised the importance of casting the net of efficiency widely, challenging government departments to “examine their assets and consider how they can be managed more effectively, including considering the role of privatisation and contracting out where assets do not need to be held in the public sector.”

Government has an asset base of £1,300 billion to support £700 billion of public spending. While recognising some obvious differences in objectives and function, most private sector organisations, even the most capital intensive such as oil companies, have ratios of assets to revenues of less than 1:1.

Our Talking Points considers how the government and public sector can best realise the value of its assets looking towards the 2015 Spending Review – and beyond



Local State We're In 2015

Our annual temperature check of local government

Local authorities are facing challenges on all fronts: financial pressures continue while demand and public expectations grow, alongside concerns about councils having the capacity and capability to respond.

Five years on from our original Local State We're In survey, Chief Executives and Leaders have recognised the need to do things differently, looking beyond their organisational boundaries and taking a place-based, whole systems approach.

“Over the next five years we need to fundamentally redesign the shape of the organisation to respond to the challenges of reducing resources and increasing demands.” Chief Executive

Picking up a theme from last year's survey, three quarters of local authorities now agree that their focus should be on outcomes, rather than service delivery. However, only a third of Chief Executives are confident they have a good understanding of the cost of securing outcomes across their area, and fewer are confident they understand how to measure outcomes and their impact.

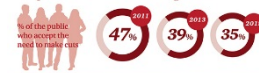
New ways of working bring new risks and require new skills and collaborative relationships. As we look to 2015 and beyond, the challenge is to turn new strategies into new ways of working for staff, the public and partners that make a real impact on outcomes.

The Local State We're In 2015

Local government is still under pressure



And public attitudes are hardening



Councils need to grasp new opportunities to redefine their role and purpose



Find out more
Local State We're In 2015
www.pwc.co.uk/localgov2015

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Hinckley and Bosworth Borough Council

Annual Audit Letter

2014/15

DRAFT

Government and
Public Sector
16 October 2015
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Code of Audit Practice and Statement of Responsibilities of Auditors and of Audited Bodies

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement.

Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

An audit is not designed to identify all matters that may be relevant to those charged with governance. Our audit does not ordinarily identify all such matters.

Introduction

The purpose of this letter

This letter summarises the results of our 2014/15 audit work for members of the Authority.

We have already reported the detailed findings from our audit work to the Finance, Audit and Performance Committee in the following reports:

- Audit opinion for the 2014/15 financial statements, incorporating conclusion on the proper arrangements to secure economy, efficiency and effectiveness in its use of resources;
- Report to those charged with Governance (ISA (UK&I) 260);

The matters reported here are the most significant for the Authority.

Scope of Work

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Our 2014/15 audit work has been undertaken in accordance with the Audit Plan that we issued on 23 February 2015 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

We met our responsibilities as follows:

Hinckley and Bosworth Borough Council

| Audit Responsibility | Results |
|--|---|
| Perform an audit of the accounts in accordance with the Auditing Practice Board's International Standards on Auditing (ISAs (UK&I)). | <p>We completed an audit of the Authority's statutory accounts for the year ending 31 March 2015.</p> <p>We issued an unqualified audit opinion on the statutory accounts on 22 September 2015.</p> |
| Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts. | <p>Hinckley and Bosworth Borough Council's income, expenditure, assets nor liabilities did not exceed £350m. We issued an assurance statement to the NAO on 2 October 2015 confirming this.</p> <p>In line with the NAO's guidance, we were not required to perform any further audit procedures.</p> |
| Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources. | <p>The Audit Commission guidance included two criteria relating to the value for money conclusion: the organisation has proper arrangements in place for securing financial resilience; and the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>We determined a local programme of audit work based on our audit risk assessment, informed by these criteria and our statutory responsibilities.</p> <p>We issued an unqualified value for money conclusion on 22 September 2015.</p> |

| | | | |
|---|---|--|--|
| <p><i>Consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.</i></p> | <p>▶ Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: "Delivering Good Governance in Local Government". The AGS was included in the Statement of Accounts.</p> <p>We reviewed the AGS to consider whether it complied with the CIPFA / SOLACE "Delivering Good Governance in Local Government" framework and whether it is misleading or inconsistent with other information known to us from our audit work.</p> <p>We found no areas of concern to report in this context.</p> | <p><i>Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.</i></p> | <p>▶ We issued a completion certificate in line with the unqualified audit opinion on 22 September 2015.</p> |
| <p><i>Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.</i></p> | <p>▶ No matters arose during our audit that would require us to produce a public interest report.</p> | | |
| <p><i>Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.</i></p> | <p>▶ No other actions were required to be taken in relation to our responsibilities under the Audit Commission Act.</p> | | |

Audit Findings

Accounts

We audited the Authority's accounts in line with approved Auditing Standards and issued an unqualified audit opinion on 22 September 2015.

We noted the significant findings arising from our audit within our Report to Those Charged with Governance (ISA (UK&I) 260). This report was presented to the Finance, Audit and Performance Committee on 7 September 2015. We wish to draw the following points, included in that report, to your attention in this letter:

- The Authority prepared its accounts on a timely basis and a first draft of the accounts was available at the start of the audit.
- We did not identify any significant issues with respect to the effectiveness of the Authority's internal controls.
- We validated the inputs and reviewed the reasonableness of assumptions used in the valuation of property, plant and equipment. We identified three immaterial input errors which were corrected by management. We concluded that the assumptions used by the Authority's valuer were reasonable.
- We reviewed the assumptions underlying the pension liability and concluded that we were comfortable with the assumptions adopted.
- We reviewed the assumptions underlying the business rates appeals provision and concluded that the provision was reasonable.

- In total, there were seven audit adjustments above our de minimis reporting threshold (£25,000) which were corrected by management in the final set of accounts. There were no uncorrected misstatements.

Use of Resources

We carried out sufficient, relevant work in line with the Audit Commission's guidance, so that we could conclude on whether you had in place, for 2014/15, proper arrangements to secure economy, efficiency and effectiveness in your use of the Authority's resources.

In line with Audit Commission requirements, our conclusion was based on two criteria:

- that the organisation has proper arrangements in place for securing financial resilience; and
- that the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

To reach our conclusion, we carried out a programme of work that was based on our risk assessment.

We issued an unqualified conclusion on the ability of the organisation to secure proper arrangements to secure economy, efficiency and effectiveness in its use of resources. However, we reported to the Finance, Audit and Performance Committee the following matters:

- The Authority was able to demonstrate that arrangements had been in place to secure economy, efficiency and effectiveness in its use of resources during the 2014/15 financial year.

- Whilst the Authority has a balanced budget for 2015/16, at the time of our audit of the financial statements, members were considering options to meet savings gaps in future years. We reported the need to avoid further delay in determining plans to meet these savings gaps for future years. Delay in determining firm savings plans poses significant risks including the:
 - inability of the Authority to generate new income/achieve savings in a shorter time period;
 - depletion of the Authority's reserves which may impact capital plans and wider financial resilience; and
 - failure to meet the Authority's legal responsibility to set a balanced budget each year.

Annual Governance Statement

Local authorities are required to produce an Annual Governance Statement (AGS) that is consistent with guidance issued by CIPFA/SOLACE. The AGS accompanies the Statement of Accounts.

We reviewed the AGS to consider whether it complied with the CIPFA/SOLACE guidance and whether it might be misleading or inconsistent with other information known to us from our audit work. We found no areas of concern to report in this context.

Whole of Government Accounts

We undertook our work on the Whole of Government Accounts consolidation pack as prescribed by the National Audit Office. The Authority's income, expenditure, assets nor liabilities did not exceed £350m. We issued an Assurance Statement to the NAO on 2 October 2015 confirming this.

In line with the NAO's guidance, we were not required to perform any further audit procedures.

Certification of Claims and Returns

We presented our most recent Annual Certification Report for 2013/14 to those charged with governance in February 2015. We certified two claims worth £20 million. In one case a qualification letter was required to set out the issues arising from the certification of the Housing Benefit Subsidy claim. These details were set out in our Annual Certification Report for 2013/14. We will issue the Annual Certification Report for 2014/15 in February 2016.

Final Fees

Final Fees for 2014/15

We reported our fee proposals in our plan which were based on the scale fee communicated to us by PSAA. The scale fee is based on the overall requirements in relation to the audit of the financial statements not varying significantly from that of the prior year.

As part of our audit of the financial statements we were required to perform additional work on the material transactions relating to the Hinckley Squash and Rackets Club which included a technical consultation. As a result, our outturn costs exceeded those budgeted to achieve the scale fee and we agreed a fee variation with management to recover these additional costs.

| | 2014/15 outturn | 2014/15 fee proposal |
|--|--------------------|-------------------------|
| Statement of Accounts including whole of government accounts and Value for Money conclusion | 69,080* | 65,880 |

* Our outturn fee has been discussed and a fee variation of £3,200 has been agreed with management. We have now written to the PSAA for formal approval for the fee variation.

Non-audit work

We also performed non-audit work which fell outside of the Code of Audit Practice requirements. It related a review of the Authority's partial exemption position. Our proposed and actual fee for that work was £3,250. Our assessment of independence threats and relevant safeguards was detailed in our external audit update report presented at the April 2015 Finance, Audit and Performance Committee. We concluded

that we were independent and no changes have been made to that assessment.

Our fee for certification of grants and claims is yet to be finalised for 2014/15 and will be reported to the Finance, Audit and Performance Committee later in the year within the Certification Report to Management in relation to 2014/15 grants. The indicative fee is £19,330.



In the event that, pursuant to a request which Hinckley and Bosworth Borough Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Hinckley and Bosworth Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Hinckley and Bosworth Borough Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Hinckley and Bosworth Borough Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for Hinckley and Bosworth Borough Council and solely for the purpose and on the terms agreed through our contract with Public Sector Audit Appointments Limited. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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**FINANCE, AUDIT AND PERFORMANCE UPDATE – STREET SCENE
SERVICES AND ENVIRONMENTAL HEALTH
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE
DIRECTION)**

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

- 1.1 To provide the committee with an update on the financial, performance and risk position of Street Scene Services and Environmental Health Service as at 31 August 2015

2. RECOMMENDATION

- 2.1 That members note the contents of this report

3. BACKGROUND TO THE REPORT

Financial Performance

- 3.1 The financial performance for from 1st April 2015 – 31 August 2015 has been detailed in Appendix 1. As at 31 August 2015, Street Scene Services has under spent against the profiled budget (taking into account timing differences) by £59,143 Environmental Health had overspent by £7,740. The forecast outturn is estimated to be an under spend of £105,000 for Street Scene Services and an anticipated overspend of £8000 for Environmental Health arising from increased demand for pest control.
- 3.2 Details of variances over £25,000 have been provided in Appendix 1.

Performance

- 3.3 Performance against performance indicators for Street Scene Services and Environmental Health from 1st April 2015 – 30 September 2015 has been detailed in Appendix 2, along with explanation where indicators have not been met.

Risk Management

- 3.3 The risk register for Street Scene Services contains 7 risks for 2015/2016. The 1 red net red (high) is detailed below. For Environmental Health there are 7 service risks with no red risks at present

| Risk | Risk failure leads to: | Net Risk Level | Review commentary | Risk Owner |
|--|---|----------------|--|-----------------|
| Lack of funding to deliver projects (capital and revenue). | Non completion of Green Space Delivery Plan or delays | M-H 8 (RED) | All new section 106 agreements linked to specific projects within the GSDP. Risks remain to individual projects. In the timing of receipt of section 106 contributions, varying timescales. Section 106 contributions review | Caroline Roffey |

| | | | | |
|--|--|--|----------|--|
| | | | monthly. | |
|--|--|--|----------|--|

3.4 In addition, the following corporate risks are deemed to impact Street Scene Services and Environmental Health. An update on these risks and corresponding actions are provided below

| Risk | Risk failure leads to: | Net Risk Level | Review commentary | Risk Owner |
|------------------------|---|----------------|---|---------------|
| Loss of key contractor | Loss of service severely impacting on collection of waste | 8 RED | New signed contract awaited from Contractor. Budget provision for 2015-16. Future budgets to reflect new rates. Noted other LA contracts with Contractor also being renegotiated. | Rob Parkinson |

4. FINANCIAL IMPLICATIONS [KP]

4.1 Contained within the *Financial Performance* section of the report

5. LEGAL IMPLICATIONS[MR]

5.1 None arising from the report

6. CORPORATE PLAN IMPLICATIONS

6.1 All budgets, performance indicators and risks are mapped against the appropriate corporate plan implication.

7. CONSULTATION

7.1 No direct consultation

8. RISK IMPLICATIONS

8.1 Covered within the *Risk Management* section of the report

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 Covered as appropriate in the body of the report

10. CORPORATE IMPLICATIONS

10.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers: None

Contact Officer: Rob Parkinson / Caroline Roffey x5782

Executive Member: Councillor Mark Nickerson

Appendix 1 – Financial Performance

| | Estimate to Date | Actual to Date | Variance to Date | Timing Diff | Variance exc Timing | Explanations >£25k | Forecast variance | Explanations >£25k |
|-------------------------------------|------------------|----------------|------------------|-------------|---------------------|--|-------------------|--|
| <u>Street Scene Services</u> | | | | | | | | |
| | £ | £ | £ | £ | £ | | £ | |
| DSO Grounds Maintenance | -73,018 | -87,230 | 14,212 | 25,000 | -10,788 | | 0 | |
| Allotments | 300 | 321 | -21 | 0 | -21 | | 0 | |
| Cemeteries | 58,066 | 68,836 | -10,770 | -5,000 | -5,770 | | 0 | |
| Countryside Management | 49,216 | 45,930 | 3,286 | 0 | 3,286 | | 0 | |
| Parks | 290,143 | 287,081 | 3,062 | 7,000 | -3,938 | | 0 | |
| Recycling | 401,991 | 423,061 | -21,070 | -15,000 | -6,070 | | 7,000 | |
| Refuse Collection | 418,481 | 362,711 | 55,770 | 15,000 | 40,770 | £33k Additional income generated from leafleting campaign in April/May, £12k fuel savings, £4k extra bulky waste income, (£7k) additional trade waste disposal costs, (£2k) salary overspend | 62,000 | £27k fuel savings, £55k additional trade waste income, £5k additional income from bulky waste, (£22k) additional LCC disposal costs, (£3k) extra costs for repairs & maintenance vehicles. |
| Street Cleansing | 310,298 | 302,242 | 8,056 | -7,000 | 15,056 | | 23,000 | |
| Waste Business Improvements | -17,149 | -36,171 | 19,022 | 12,000 | 7,022 | | 2,000 | |
| Car Parks | 6,757 | -59,339 | 66,096 | 46,500 | 19,596 | | 11,000 | |
| | | | | | | | 105,000 | |
| <u>Environmental Health</u> | | | | | | | | |
| | £ | £ | £ | £ | £ | | £ | |
| Emergency Planning | 28,637 | 28,720 | -83 | 0 | -83 | | 0 | |
| Dog Warden Service | 19,553 | 20,305 | -752 | 0 | -752 | | 0 | |
| Environmental Health | 212,935 | 220,921 | -7,986 | 0 | -7,986 | | 0 | |
| Land Drainage | 13,069 | 12,971 | 98 | 0 | 98 | | 0 | |
| Licences | 9,960 | 8,390 | 1,570 | 4,000 | -2,430 | | 0 | |
| Pest Control | 13,146 | 13,706 | -560 | 0 | -560 | | -8000 | |

| | | | | | | | |
|-------------------------|----------------|----------------|----------------|--------------|----------------|--|--------------|
| Sustainable Development | 16,104 | 17,651 | -1,547 | 0 | -1,547 | | |
| Health & Safety | 18,632 | 20,100 | -1,468 | 0 | -1,468 | | |
| Total | 332,036 | 342,764 | -10,728 | 4,000 | -14,728 | | -8000 |

Appendix 2 – Performance Indicators

| Reference | | Target | Current Performance | Comments |
|---|--|--------|---------------------------|--|
| LGM1 | Grounds maintenance sites meeting quality criteria | 76.5% | 80.97% | August score shown. Measured monthly. Strong performance. |
| R&R1a | Number of justified missed bins | 900 | 453 to end of August 2015 | Poorer performance than at this stage last year. Performance being addressed with crews. NB HBBC empty over 2.5 million bins pa. |
| NI192 | Percentage of household waste sent for reuse, recycling and composting | 54% | 52.5% to end of Q1 | Indicator is validated by Defra. Back allocation from recycling recovered at Cotesbach MBT added at year end. There is pressure on this indicator due to reduced dry tonnage (national trend), reduced green tonnage (cold spring / summer resulting in lower growth/collection of garden waste), and increased residual tonnage (national trend). HBBC remains the second highest performing LA in Leicestershire. Councils improving recycling rates are reducing capacity for residual waste (supply led services – either reduced bin size or reduced collection frequency). |
| LI 195 | Assessment of street cleanliness surveys | 498 | 135 at Quarter 1 | Strong performance. Indicator measures improvement of cleanliness at sites identified as needing to be cleaner. |
| NI191 | Residual household waste per household | 405kg | 106.78kg at Q1 | The amount of residual waste being generated is increasing. Thought to be a result of the improving economic climate. National trend. See NI 192 |
| LHE41 | Number of Local authority parks with green flag | 1 | 1 | Hollycroft Park has now received a green flag award for 6 consecutive years. |
| Environmental Health Quarterly Indicators – | | | | |
| LI184 | Food establishments broadly compliant with food hygiene law | 90% | 89% | Expect to meet target by year end |
| LHE32b | Hackney Carriage Driver Licences issued within 60 days | 96% | 94% | Delays with third party CRB checking causes occasional exceedances. |
| LHE32a | Licences issued in 30 days | 98% | 98.9% | On target to meet |



**FINANCE, AUDIT AND PERFORMANCE COMMITTEE – 26TH OCTOBER
2015**

**BUDGET STRATEGY 2016/2017
REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)**

WARDS AFFECTED: ALL WARDS

1. PURPOSE OF REPORT

1.1 To review the Budget Strategy for 2016/2017.

2. RECOMMENDATION

2.1 That the committee review the Budget Strategy for 2016/2017 before approval by Executive.

3. BACKGROUND TO THE REPORT

3.1 This Budget Strategy (the Strategy) is presented within an overall national scene of reduced central government funding and the drive towards greater financial localism. The ongoing impact of austerity measures enacted by Government means that local government budgets have been and will continue to be radically reduced due to cuts in central government funding and local reductions in traditional income streams. For this Council, the key pressures in 2016/2017 can be summarised as follows:

- An expected reduction in funding provided by Government. The level of reduction is however unknown as no provisional Settlement has been provided for the forthcoming year. For the purposes of this strategy an assumption will be made that Revenue Support Grant (RSG) will reduce by 16.4% from the 2014/15 allocation.
- Although additional New Homes Bonus and Business Rates Uplift bridged the funding gap in 2015/16, this is not a reliable and sustainable funding stream. New Homes Bonus is dependent upon additional housing development that is complete, occupied and taxable by October of each year. The Strategy will initially assume 75% of the levels of trajectory predicted by the Planning service at an average Band C. This is a prudent estimate and will provide a contingency against any adverse variance due to slippages in development or delays in occupation. It will also provide towards any changes in the local split between this Borough Council and the other major preceptors. The actual allocation of New Homes Bonus is expected from Government in November 2015.
- Pressure from Government to avoid large levels of council tax increases. It should be noted that this Council has at present the joint 8th lowest Council Tax level nationally and has accepted the freeze grant from government for the last 5 years. This has effectively created a loss of income by 31 March 2016 of £691,009 (or £1,142,693 if a £5 increase had been taken in year 1); thereby exasperating the Council's financial position. The assumption for this strategy is that the increase for 2016/17 will be limited by government to a 2% increase at average Band D. This, at current 2015/16 base equates to 36,311.59 Band D equivalents. Fluctuations in the level of Business Rates that will be retainable by the Council in light of high levels of appeals and, more locally, negotiations on rates received from the MIRA Enterprise Zone.
- The pressure in 2015/16 arising from the removal of green waste recycling credits (£345,792). In 2015/2016, this pressure was funded from reserves as a one off solution. The pressure will therefore be included in the base budget for 2016/17.

- The increase in the Council's dry waste recycling contract in 2015/2016 (£298,890). In 2015/2016, this pressure was funded from reserves as a one off solution. The pressure will therefore be included in the base budget for 2016/17.
- Fluctuations in fees and charges income including planning fees, car parking and rental income.

3.2 When members set the council tax for 2016/2017, the Deputy Chief Executive (Corporate Direction), as the Council's section 151 officer will have a duty under Part II of the Local Government Act to report on the robustness of the Budget and the adequacy of reserves in providing quality services. This Strategy aims to provide a framework that will provide for this robustness but at the same time allows the flexibility to react to changes and opportunities should they arise.

3.3 An abbreviated MTFs covering the period 2014/15 to 2017/18 was approved by Council on 17th March 2015. This MTFs detailed three financial scenarios; a best case, worst case and forecast position. The assumptions that underpinned these three scenarios were as follows:

| | Worst Case | Forecast | Best Case |
|--|--|---|----------------------------------|
| Council Tax | Freeze | 2% increase 2016/17 onwards | 2% increase 2016/17 onwards |
| Income levels - Development control - Building control - Car Parking - Trade Waste - Rental | Reduced levels | Assumed levels | Increased levels |
| New Homes Bonus | 50% at Band C | 75% at Band C | 100% at Band C |
| Appeals costs | £200k per annum | £100k per annum | £nil |
| Council Tax Support to Parishes | £143,000 each year | Reduce by block funding % decrease from 2016/17 | Nil from 2016/17 |
| Revenue Support Grant (2016/2017 onwards) | 20% reduction annually | 16.4% reduction annual as with 2015/16 | 10% reduction annually |
| Council Tax Base | 1% increase annually | 2% increase annually | 3% increase annually |
| Green Waste ¹ (2016/17 onwards) | No charge | Charge introduced | Charge introduced |
| ICT Procurement (2016/17) | £50,000 saving | £100,000 saving | £150,000 saving |
| Business Rates Retained Growth (2016/17 onwards) | £100,000 loss (over safety net) annually | No growth/loss | £100,00 retained growth annually |
| | Worst Case | Forecast | Best Case |
| Commercial management of | Not achieved | £50,000 | £100,000 |

¹ The MTFs includes a baseline target of income of £486,000 from the introduction of a charge for green waste collections and/or an increase in council tax of around 9.5%

| | | | |
|---|---------------|--|--|
| the Atkins Building (from 2016/17) | | saving/income | saving/income |
| Support Services savings | £nil | £25,000 saving 2016/17 and 2017/18 | £50,000 saving 2016/17 and 2017/18 |
| Additional Cost of Discretionary Housing Payments (DHP) (from 2016/17) | £50,000 | £25,000 | £nil |
| Occupancy of Block C (from 2016/17) | 50% occupancy | 75% occupancy | 100% occupancy |

| | 2015/16 | 2016/17 | 2017/18 |
|---|-----------------------------------|---------------------------|-----------------------------|
| Pay increases (including members allowances) | 1% increase | 2% increase | 2% increase |
| Vacancy factor | 5% of staff costs | 4% of staff costs | 3% of staff costs |
| Base Rate | 0.5% (no increase) | 0.75% | 0.1% |
| Retail Price Index | 3% increase | 3% increase | 3% increase |
| LCTS Cap | 12% | 12% | 12% |
| County Council cuts | Green Waste and Sure Start | £500,000 | £500,000 (no increase) |
| Revs and Bens Partnership Savings | 0 | £85,000 | £85,000 (no increase) |
| Growths | Per budget | £100,000 | £100,000 |
| Unidentified savings | Per budget | £150,000 | £150,000 |
| County Council cuts | Per budget | Green Waste + £100,000 | Dry Recycling + £100,000 |
| NNDR Baseline | Per Settlement | + 0.25% | +0.25% |
| Staff Restructuring | Per budget (£175,000 costs) | 1/3 savings | 1/3 savings |

3.4 The application of these assumptions on General Fund balances and reserves was detailed in the report and is summarised below for reference:

| | 2015/2016 | 2016/2017 | 2016/2017 | 2016/2017 | 2017/2018 | 2017/2018 | 2017/2018 |
|---|-----------|-----------|-----------|------------|-----------|-----------|------------|
| | Budget | Forecast | Best Case | Worst Case | Forecast | Best Case | Worst Case |
| | £ | £ | £ | £ | £ | £ | £ |
| Closing General Fund Balance | 1,079,112 | 995,780 | 1,978,029 | -667,279 | 1,105,476 | 3,646,957 | -2,917,417 |
| Closing Earmarked Reserves Balance | 3,519,399 | 3,581,089 | 3,581,089 | 3,381,089 | 4,172,459 | 4,172,459 | 3,972,459 |
| Total General Fund Reserves and Balances | 4,598,511 | 4,576,869 | 5,559,118 | 2,713,810 | 5,277,935 | 7,819,416 | 1,055,042 |
| General Fund Surplus/ (Deficit) | 112,279 | 1,207 | 957,475 | -1,633,634 | 65,228 | 2,552,993 | -3,898,635 |

3.5 What was clear from the above table is that the worst case scenario is not viable under any circumstances and will effectively lead to the eradication of the General Fund balance. Conversely the best case scenario forecasts material levels of surplus balances that, in reality, would be difficult to achieve. The **forecast position** (ie one that preserves the General Fund and the ongoing solvency of the Council) was noted to be achievable by Council but only on the premise that certain financial decisions were made and targets were met in 2016/17. These targets (included in the financial forecast), as refreshed, are summarised below and will be set as targets to officers as part of the 2016/17 budget build:

| | 2016/17 | Updates | Revised | Targets achieved | Targets achievable | Member decision/ |
|--|----------|---------|---------|------------------|--------------------|--------------------|
| | Original | | targets | | (officers) | direction required |
| | targets | | | | | |
| | £ | £ | £ | £ | £ | £ |
| Increased levels of building control income | 25,000 | | 25,000 | | 25,000 | |
| Reduction in banking contract | 10,000 | | 10,000 | | 10,000 | |
| Increased levels of development control income | 78,000 | | 78,000 | | 78,000 | |
| Savings from restructure of Revenues and Benefits Partnership (HBBC share) | 108,017 | | 108,017 | 108,017 | | |

| | | | | | | |
|---|----------------------|----------------------|-------------------------|----------------|----------------|----------------|
| Waste management pressures recovered | 345,890 ² | 298,000 ³ | 643,890 | | | 643,890 |
| Hub utilisation savings | 50,000 | | 50,000 | | 50,000 | |
| Further centralisation of budgets | 12,000 | | 12,000 | | 12,000 | |
| Reduction in contribution to VCS hub | 12,330 | | 12,330 | | | 12,330 |
| Savings from restructure | 129,800 | | 129,800 | | 129,800 | |
| Additional income from Block C (75% occupancy) | 188,303 | | 188,303 | | 188,303 | |
| Phased reduction of Council Tax Support grant to parishes | 23,452 | 119,548 | 143,000 | | | 143,000 |
| Channel Shift | 31,902 | | 31,902 | | 31,902 | |
| Retender of ICT contract | 100,000 | | 100,000 | | 100,000 | |
| Private management of Atkins building | 50,000 | | 50,000 (target removed) | | | |
| Support services review | 25,000 | | 25,000 | | 25,000 | |
| Insurance contract saving | 10,000 | | 10,000 | | 10,000 | |
| Additional in year savings | 180,000 | | 180,000 | | 180,000 | |
| Increase in Council Tax (2%) and base (2%) | 138,012 | | 138,012 | | | 138,012 |
| Total | 1,657,816 | 277,438 | 1,935,254 | 108,017 | 840,005 | 937,232 |

Income Generation/Fees and Charges

3.6 All fees and charges are reviewed on an annual basis and are published separately in the Council's Fees and Charges book, as approved by the Executive. Whilst a dedicated charging strategy is not in place, a number of principals are followed when considering fees and charges.

3.7 In general terms, all applicable services should be charged for unless there is a valid reason for an exception to be made. These exemptions include, but are not limited to:

- Instances where the administrative cost of levying and recovering the charge would outweigh any potential income

² Relates to the removal of Green Waste credits

³ Relates to the increase in costs in the current recycling contract

- Where policy has been passed to fund the service from Council Tax or other dedicated funding streams (e.g. grants)
- Circumstances where charging would significant deter demand
- Where statute dictates that charges cannot be made

3.8 When setting scales of charges, the following factors are taken into consideration:

- Statutory obligations
- Policy decisions
- Inflation and relevant indices
- Local market research and competition, including consideration of market distortion (where relevant)
- The impact of price changes on activity level or demand
- Levels of subsidy (where appropriate)
- The need to avoid any exploitation of customers who have no option but to use the Council's services
- Cost recovery. This should be considered with recognition that, taking one year with another, the income from charges should not exceed the cost of provision
- The financial position of the Council and the need to generate income to remain solvent

2016/2017 Budget Assumptions

3.9 The following assumptions will be used for the purpose of setting the 2016/2017 Budget, as directed by the Executive:

| Factor | Assumption |
|--|---|
| Basis of budget | The 2016/2017 base budget is to be based on the 2015/2016 original budget. All one-off items in the 2015/2016 original budget will be removed and full year effects of part year reductions in 2015/2016 implemented. |
| Growths | No growth requests will be approved for 2016/2017 for capital or revenue (this excludes increases in contract prices). (The original assumption in the MTFS approved by Council on 17 th March 2015 was £100,000). Where pressures have arising due to withdrawal of funding, officers should look to include a corresponding reduction in expenditure. |
| Savings/additional income - officer targets | All officer targets detailed in section 3.4 above will be built into the Budget. |
| Savings/additional income - member decisions | The following decisions have been made by the administration and will be factored into the Budget as such: <ul style="list-style-type: none"> • A 2% increase in council tax • Removal of Local Council Tax Support Grant to parish councils • The introduction of either a green waste charge or an increase in council tax over 2%, pending results of the forthcoming consultation which is anticipated to be completed by the end of October 2015. |
| Council Tax | 2% as detailed above |
| Pay increase | 1% |

| | |
|--------------------------------------|--|
| National Insurance | HMRC rate (not yet confirmed). These costs will also take into account the impact of NI due to the end of “contracting out” which will occur from 6 th April 2016 |
| Employers Pension Contributions | An Employers Contribution rate of 16.4% will be used with an additional 0.9% being included for Ill Health retirement insurance. In addition a lump sum value of £468,000 is payable to the Local Government Pension Scheme which will be contained in a corporate budget. These rates were based on estimates made in previous year and will be confirmed by the pension scheme in due course. |
| Vacancy Factor | A net salary/vacancy saving of 5% will be applied (5% in previous years). This will be across all service areas with the exception of senior management posts. |
| Supplies and Services - Non contract | 0% increase |
| Supplies and Services - Contract | It is anticipated that the average rate of RPI will be added to the Council’s payments. As such a rate of 1.1% will be applied to 2015/2016 contractual costs which is in line with the most recent release (August 2015). Where budget holders have knowledge of price rises that differ, adjustments can be made to these budgets to reflect actual price changes. This rate will be reviewed in subsequent months. |
| Fees and Charges | Where an inflationary increase is called for, it has been directed that an increase RPI. The rate of RPI at 31 st August 2015 of 1.1% will be applied. If there is a material change in this rate by 31 st December 2015 then the budgets will be adjusted accordingly. |
| Investment income/expenditure | The Bank of England base rate is currently 0.5%. There is some prospect of an upward movement by one basis point in 2016/17 Therefore a rate of 0.75 will be assumed. |
| Housing Revenue Account | All assumptions regarding expenditure and fees and charges will be set in line with the Strategy. The exception to this is in relation to rent setting which, in accordance with Government guidelines will be reduced by 1%. A 2% void loss will continue to be applied to these levels. |

3.10 Applying the above revised assumptions, as agreed with the Executive, the revised targets are as follows:

| | £ |
|--|----------|
| Original Member Target | 937,232 |
| <u>Targets committed</u> | |
| Removal of Council Tax Support to Parishes | -143,000 |
| Increase in Council Tax (2%) and base (2%) | 138,012 |
| <u>Change in assumptions</u> | |
| Retain vacancy factor at 5% | -82,284 |

| | |
|--|----------------|
| Nil growths approved | 100,000 |
| 1% agreed pay increase | -65,750 |
| Reduced saving from ICT contract | 50,000 |
| Reduced saving from private running of Atkins Building | 50,000 |
| Revised Target/Gap | 508,186 |

3.11 In arriving at the above assumptions and the resulting revised targets, the following have been considered by the Executive and Senior Management:

- The Executive have directed that budget decisions for 2016/17 must not have an adverse impact on council services. Officers have considered this direction and have advised that the extent of the savings required could only be delivered through staff reductions (as other non staff savings have been exhausted over the past 7 years) with an impact on service delivery.
- Officers have advised that on-going costs included in the budget should not be funded from earmarked reserves as these reserves have been set up and approved by Council to meet specific pressures. It would therefore not be prudent or sustainable to fund ongoing costs through earmarked reserves.
- Financing costs are projected to increase further in 2016/17 on completion of the Crescent Development and the funding of the Leisure Centre. This additional cost should however be more than off set by the increase in revenue generation from the Leisure Centre and the rent from the leased units at the Crescent. In addition the Council will gain from the uplift in business rates.
- Provided therefore, that substantially all of Unit C is occupied by 2016/17 and the Leisure Centre is fully operational by June 2016 then the Council will have a net revenue return on its investment. The precise levels of these costs and income, as well as the profiling of capital receipts (at the time of writing this Strategy) is however uncertain and whilst this is being constantly reviewed officers have advised that it is prudent that the full potential benefit of these developments should not be included in the 2016/17 budget.

4. FINANCIAL IMPLICATIONS [KP]

4.1 Contained within the body of the report

5. LEGAL IMPLICATIONS [MR]

5.1 None

6. CORPORATE PLAN IMPLICATIONS

6.1 The Budget supports all aims of the Corporate Plan

7. CONSULTATION

7.1 All budget holders and members of Executive, Scrutiny and Finance, Audit and Performance Committee will be consulted in the Budget setting process.

7.2 Residents will be fully consulted on the options of introducing a charge for green waste recycling or increasing council tax by more than 2%.

8. RISK IMPLICATIONS

8.1 It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

8.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

8.3 The following significant risks associated with this report / decisions were identified from this assessment:

| Management of significant (Net Red) Risks | | |
|---|---|---------|
| Risk Description | Mitigating actions | Owner |
| S.11 - Failure to successfully deliver the Medium Term Financial Strategy | The effect of directions included in this document means that the Council could still be facing a deficit in the budget for 2016/17 of around £500K. Following public consultation, the Executive will need to provide guidance on how this gap should be filled. | S Kohli |

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

9.1 The budget process will impact on all areas of the Borough and all groups within the population

10. CORPORATE IMPLICATIONS

10.1 By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Procurement implications
- Human Resources implications
- Planning implications
- Data Protection implications
- Voluntary Sector

Background papers: Medium Term Financial Strategy

Contact Officer: Katherine Plummer, Chief Officer (Finance, Customer Services and Compliance) ext. 5609

Executive Member: Cllr M Surtees

Agenda Item 10

Finance, Audit and Performance Committee – Programme of Work 2015/2016

| Meeting date | Agenda Items |
|-------------------------------|---|
| 26 th October 2015 | Internal Audit Progress Report External Audit Annual Audit Letter 2014/2015 Service Review Update – Street scene Services and Environmental Health Budget Strategy 16-17 Fraud and Corruption Update (Private Session) |
| 7 th December 2015 | Capital and Revenue Outturn – 2 nd Quarter 2015/2016 Performance and Risk Update – 2 nd Quarter 2015/2016 Aged Debts – 2 nd Quarter 2015/2016 Business Rates Retention – 2 nd Quarter 2015/2016 Treasury Management Update – 2 nd Quarter 2015/2016 Internal Audit Progress Report Service Review Update – Finance, Customer Services, Estates and Revenues and Benefits |
| 8 th February 2016 | External Audit Plan 2015/2016 External Audit Grants Certification Report 2014/2015 Internal Audit Progress Report Service Review Update – Housing and Community Safety & Housing Repairs |
| 21 st March 2016 | Capital and Revenue Outturn – 3 rd Quarter 2015/2016 Aged Debts – 3 rd Quarter 2015/2016 Business Rates Retention – 3 rd Quarter 2015/2016 Treasury Management Update – 3 rd Quarter 2015/2016 Performance and Risk Update – 3 rd Quarter 2015/2016 Internal Audit Progress Report Service Review Update - Cultural Services |

NB: A Joint meeting of FAP and Scrutiny Commission will be held on 21st January 2016 to discuss the draft 2016/2017 budgets

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By virtue of paragraph(s) 1, 3, 10 of Part 1 of Schedule 12A of the Local Government Act 1972.

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