

## **GOVERNANCE COMMITTEE**

WEDNESDAY, 29TH NOVEMBER, 2017, 6.00 PM

WHEEL ROOM, CIVIC CENTRE, WEST Paddock, WEST Paddock,  
LEYLAND PR25 1DH

### AGENDA

**1 Apologies for absence**

**2 Declarations of Interest**

Members are requested to indicate at this stage in the proceedings any items on the agenda in which they intend to declare an interest. Members are reminded that if the interest is a Disclosable Pecuniary Interest (as defined in the Members' Code of Conduct) they must leave the room for the whole of that item. If the interest is not a Disclosable Pecuniary Interest, but is such that a member of the public could reasonably regard it as being so significant that it is likely that it would prejudice their judgment of the public interest (as explained in the Code of Conduct) then they may make representations, but then must leave the meeting for the remainder of the item.

**3 Minutes of the Last Meeting**

(Pages 3 - 10)

Held on Wednesday, 13 September 2017, to be signed as a correct record.

**4 External Audit - 2016/17 Annual Audit Letter**

(Pages 11 - 26)

Report of the Acting Chief Finance Officer/External Audit attached.

**5 External Audit - Update Report**

(Pages 27 - 46)

Report of the Acting Chief Finance Officer/External Audit attached.

**6 Budget Management Report as at 30 September 2017**

(Pages 47 - 62)

Report of the Head of Shared Financial Services attached.

**7 Closure of Annual Accounts 2017/18 Timetable**

(Pages 63 - 66)

Report of the Interim Corporate Governance Manager attached.

## **8 Investment Property Strategy**

(Pages 67 - 80)

Report of the Director of Neighbourhoods, Environmental Health and Assets attached.

### **Forthcoming Meetings**

6.00 pm Wednesday, 31 January 2018 - Wheel Room, Civic Centre, West Paddock,  
West Paddock, Leyland PR25 1DH

**MINUTES OF GOVERNANCE COMMITTEE**

**MEETING DATE** Wednesday, 13 September 2017

**MEMBERS PRESENT:** Councillors Alan Ogilvie (Chair), James Patten (Vice-Chair), Paul Foster, Margaret Smith and Karen Walton

**OFFICERS:** Heather McManus (Chief Executive), Mark Gaffney (Director of Neighbourhoods, Environmental Health and Assets), Dave Whelan (Legal Services Manager/Monitoring Officer), Caroline Elwood (Interim Corporate Governance Manager), Susan Guinness (Head Of Shared Financial Services), Lee Hurst (Principal Systems & Financial Accountant), Garry Barclay (Head of Shared Assurance Services), Dawn Highton (Principal Auditor (South Ribble)) and Dianne Scambler (Democratic and Member Services Officer)

**OTHER MEMBERS:** Councillor Colin Clark (Deputy Leader and Cabinet Member for Corporate Support and Assets), Councillor Keith Martin, Councillor Jacqueline Mort (Cabinet Member for Public Health, Safety and Wellbeing), Councillor Phil Smith (Cabinet Member for Regeneration and Leisure), Councillor Susan Snape, Denise Johnson (Director of Development, Enterprise and Communities) and Jane Blundell (Principal Management Accountant)

**PUBLIC:** 0

**18 Apologies for absence**

An apology was received from Councillor David Bird.

**19 Minutes of the Last Meeting**

RESOLVED – That the minutes of the Governance Committee held on 28 June 2017 be confirmed as a correct record for signing by the chair.

**20 Declarations of Interests**

No declarations of interest were received.

**21 Annual Governance Statement**

The Interim Monitoring Officer presented the Council's Annual Governance Statement (AGS) for 2017 that provided assurance on the standards of corporate governance across all the Council's priorities and activities.

Following recent discussions with the External Auditors, amendments had been made to the draft AGS that was considered by the Committee at its meeting in June. A number of suggested changes were designed to improve the clarity and strengthen the contents of the

AGS. Principal changes included an explanation of the interim management arrangements, more details relating to Mary Ney's review of licensing and a paragraph relating to the staff survey.

Members asked for further information on the cross party Budget Working Group and the delivery of political awareness training to officers. A request was also made for the Committee to have sight of the proposed restructuring of the Democratic Services team when available. Members commented that this team was instrumental in supporting all Councillors and considered it appropriate that their views were taken into consideration.

Clarity was also sought on when the new Borough and Council Vision and priorities and new Corporate Plan for 2018-21 had been agreed and how this had been communicated to Elected Members.

Assurances were given that lessons learnt from the recent Standards Hearings would be shared across the authority and improved ways of working implemented. The minutes of the Standards Hearing had been published on the Council's website and would be considered by the Standards Committee at its next meeting.

It was acknowledged that a great deal of work had been undertaken over the last 12 months to strengthen and improve the Councils governance arrangements. Members welcomed the amendments to the AGS and were happy with the improvements already made but sought assurances that this good work would continue to ensure that good governance was embedded across the authority.

As work was still continuing on the Statement of Accounts that may generate additional amendments to the AGS it was RESOLVED that the Chair be granted delegated power to agree any additional amendments to the Annual Governance Statement should that prove necessary.

## **22 External Audit - 2016/17 Audit Findings and Progress Report**

The Committee received a report of the External Auditor on their audit findings for the authority for the year ending 31 March 2017 that highlighted key matters arising for the Council's financial statements and appreciation of the finance team and associated officers for their assistance during the audit.

The External Auditors confirmed that the audit was substantially complete subject to a few procedures to be finalised. A small number of disclosure changes that the Council had made had not affected its financial position and, as indicated within the report, the external audit had not identified any significant issues in relation to the significant and other risks identified in the audit plan. Based on their review of the Council's Narrative Report and Annual Governance Statement, they were satisfied that they were consistent with the audited financial statements and the Auditor intended to issue an unqualified opinion on the financial Statements on 30 September 2017.

However, to the disappointment of Members it was reported that the Auditor intended to issue a qualified opinion for its Value for Money conclusion. Whilst acknowledging that improvements had taken place during 2016/17, the VfM conclusion took into consideration the whole year. The current improvement plan was only in place from December 2016 and since that time the Council had been subject to a number of reviews, including the Peer Review which took place in March 2017 that had highlighted a number of issues to be addressed. The report highlighted those significant risks identified that included work relating to Medium term financial planning and Improvement plan. An Action Plan was included at

Appendix A to the report and the Committee asked to be provided with regular updates.

As the External Audit was still not yet finalised, the work on the Statement of Accounts was still progressing. This was mainly due to the Committee meeting earlier in the month although there was a general acceptance that the process needed to be tightened to meet the early deadlines next year.

RESOLVED – That the Report be noted.

## **23 Audited Statement of Accounts**

The Committee received a report that sought approval of the audited Statement of Accounts (SOA) for its publication by 30 September under the requirement of the Accounts and Audit (England) Regulations 2015. Once approved the signed Statement would be published on the Council's website.

At the time of writing the report the External Auditor had not fully completed their audit but the appointed Auditor expected to issue an unqualified opinion on the 2016/17 Statement of Accounts; a qualified Value for Money Conclusion and recommend a number of minor adjustments. No adjustments had been made that impacted upon the out-turn position of the Authority that was reported to Committee in June. Any further changes identified would be presented to Members of the Governance Committee at a training session ahead of its approval and signing.

The draft Statement of Accounts 2016/17 and Letter of Representation were appended to the report.

The Statutory Finance Officer reported that the unaudited SOA for 2016/17 was completed on 19 May 2017 and had every confidence that the Authority would be successful in preparing to meet the new challenging deadline.

RESOLVED:

That delegated authority be given to the Chair of Governance Committee to sign off the finalised Statement of Accounts 2016/17, Letter of Representation and Annual Governance Statement.

## **24 Budget Management Report as at 30 June 2017**

The Committee received a report that provided an update on the Council's overall financial position compared to the financial plan for the first quarter of the 2017/18 financial year.

The report showed the financial position as at 30 June that had been set out in accordance with the year-end Statement of Accounts, over Directorate rather than cost type. The report also showed an initial projected out-turn where budget variances are known to be permanent.

The financial performance to date showed that the Council is performing well and that the financial risk profile in respect of Business Rates Retention (BRR) has currently moved in a favourable direction. There is greater confidence that the Lancashire Pooling Agreement will continue, however, there is also an assumption that the outstanding BRR appeals totals will not undergo significant change during the remainder of the year. The two factors would be monitored closely.

The Capital Programme showed project spend to date, forecasted spend to be achieved by the end of the year and projects that may be re-phased into future years. The re-phasing of the Capital Programme would be reviewed when future investment in ICT has been mapped as part of work currently being done as part of the Business Transformational change programme and as part of setting the budget for 2018/19 that will support the Corporate Plan and Priorities. It was also expected that the next Budget Management Report would be able to update Members on the outcome of the City Deal Resource Review.

Members sought further details on the Council's use of virements, efficiency savings relating to the restructuring of the Environment and Neighbourhoods directorate and planning application fees for larger developments. Members also commented that it was important for them to understand the way in which financial decisions are taken by officers and asked for this detail to be communicated more effectively.

RESOLVED – That the report be noted.

## **25 Internal Audit Progress Report**

Members received a report that advised of the progress and outcomes made on the South Ribble and Shared Services Internal Audit Plans for the period April to July 2017. The report also gave an appraisal of the Internal Audit Services' performance to date.

A snapshot of overall progress in 2017/18 was provided, indicating which audits had been completed and their control rating, those still in progress and those yet to start. Information on time planned and actually spent was also provided.

Since its implementation in April 2017, the Internal Audit have delivered training on the new risk management system GRACE to 64 South Ribble and Shared Services officers. The Chair commented that he too had received training and encouraged all other Members of the Committee to undertake this offer.

It was agreed with the Senior Management Team that Internal Audit would provide support with the development and enhancement of key risk registers that included:  
Corporate Risk Register  
Corporate Plan Projects, and  
Key Partnerships

Members noted that all the Internal Audit Plans were on target to be achieved. A table contained within the report highlighted the main pieces of work being undertaken during the period, together with any issues that had been identified.

The Chair on behalf of the Committee commended the work being undertaken by the Internal Audit team.

RESOLVED – That the report be noted.

## **26 Approach to Property and Asset Investment**

The Committee received an interim report that provided details of a revised approach to property and asset investment at the Council. The council have identified investment in property and assets as a source of income to support

delivery of the Medium Term Financial Strategy (MTFS) and a borough Investment Fund of £3.82m has been established to support this venture.

Cabinet is now considering the engagement of a property consultancy with specialist capability in investment management. This consultancy will support the Council in the development of an alternative Strategy and future acquisitions.

Details of the proposed scope and timeline for engaging the specialist property consultant was outlined within the report including the reporting deadlines for both Governance Committee and Cabinet. Appointment costs will be determined through the procurement process and included in any resulting Property Acquisition proposal financial model and business case.

Members were pleased to see the new approach being considered by Cabinet but had concerns that the process would take some considerable time to implement. Officers had every confidence that they would be able to appoint by January 2018. Although it was acknowledged that the Council already employs staff with property and investment knowledge it was accepted that this approach needed more specialist advice in order to achieve the levels of income expected.

RESOLVED – The Committee were pleased with new approach to date and looked forward to receiving a more detailed report at its next meeting on 29 November 2017.

## **27 Treasury Management Activity - Mid Year Review 2017/18**

The Committee received a report on Treasury Management performance and compliance with prudential indicators in the financial year 2017/18 to the end of July.

Members were advised that the Prudential Indicators for 2017/18 will be revised when the Treasury Strategy for 2018/19 to 2020/21 is presented to Council in February 2018.

The average daily investment total for the period 31 July 2017 was £31.841m at an average rate of 0.53%. This exceeded the target of 0.13%, and the earnings rate of 0.25% for 2017/18 suggested by Capita. The interest retrievable budget for the year should be exceeded, the forecast being £116,000 compared to the budget of £69,000.

An update on economic matters and commentary on interest rate forecasts was presented, along with an explanation as to why the Council will need to opt-up to being a Professional Client to continue its use of the Money Market Funds.

CIPFA are currently consulting on changes to the Treasury Management Code and Prudential Code and the Committee were apprised of any issues.

Members were also informed that the IFRS9 Financial Instruments will be adopted in the Code of Practice on Local Authority Accounting in the UK 2018/19. On adoption, certain investment types could involve annual gains or losses which would have an impact on Council resources.

The Committee requested this documentation to be included in the training session to be delivered on the revised Statement of Accounts to help give them a better understanding of the forthcoming changes. It was also noted that investments with

other Local Authorities provided a better rate of return than some banking establishments.

RESOLVED – That the report be noted.

## **28 Review of Constitution - Contract Procedure Rules**

The Committee received a report that provided Members with the opportunity to comment on proposals to amend the Council's Contract Procedure Rules, together with the financial threshold for key decisions undertaken by the Cabinet, prior to their submission to Council for approval at its meeting in September 2017.

The Council's Contract Procedure Rules are a key part of the Council's Constitution and deal with the rules, processes and procedures for the procurement of contracts on behalf of the Council with a diverse range of suppliers and contractors. The rules are designed to protect the public purse by demonstrating value for money together with appropriate safeguards to ensure objectivity in the awarding of contracts and a copy of the proposed amended rules were appended to the report.

Members were asked in particular to note the proposed change to procurement thresholds that would bring them in line with a number of neighbouring authorities including Chorley, Lancaster, Wyre and Fylde:

Less than £20,000 – low value procurement  
£20,000 to £100,000– Intermediate value  
Over £100,000 – high value

Members shared the view by officers for the higher threshold to be increased to £100,000, however, they asked for further reasoning to be given on why the lower threshold had also been raised from £10,000 to £20,000 and asked for this to be reconsidered ahead of a decision by Council.

The Committee also asked for clarification of the arrangements associated with the payments of contracts that did not match the original purchase order and what measures were in place to prevent officers from ordering additional works.

RESOLVED – That the Governance Committee recommends full Council to agree to the amendments in the Constitution relating to Contract Procedure Rules and Key Decisions subject to the provision of further comparators for the proposed increase of the low value threshold from £10,000 to £20,000.

## **29 Review of Constitution - Council Terms of Reference and Members**

The Committee received a report that provided Members with the opportunity to comment on the amended proposals for the Terms of Reference for full Council, including the role of Mayor and Elected Members, within the Constitution, prior to submission to the Council for approval at its meeting in September 2017.

The new draft Terms of Reference for full Council appended to the report had been rewritten to update and make more comprehensive the existing terms of reference. This included a review of the Policy Framework documents at section 4. If approved, the important plans and strategies would then guide the work of Cabinet as part of the Budget and Policy Framework and would replace Articles 2, 4 and 5.

The Governance Committee Working Group had considered the proposed Terms of Reference at its meeting on 29 August and Members were pleased to note that most of their suggested changes had been included.

Members asked for further information at the meeting in relation to Council policy relating to casino licences, those functions not assigned to a specific meeting under the local choice rule and virement limits as part of the Financial Procedure Rules. In response to a question from the audience Members were informed that a report on access to information would be brought to a future meeting of the Committee.

Further clarification was sought as to how the Council's Constitution would deal with the constitutional changes surrounding the proposed joint senior management arrangements that was due to be determined at Council later on the month, particularly in relation to the appointments of the statutory officers. The Chief Executive gave assurances that this level of detail would be contained within the Council report on Shared Services.

#### RESOLVED

1. That the Governance Committee recommend full Council to approve the amended Terms of Reference for full Council, including the role of Mayor and Elected Members with the Constitution.
2. That a report on access to information be brought to a future meeting of the Committee.

### **30 General Licensing Committee and Licensing Act 2003 - Review of Constitution and Introduction of Member Panels for Hearings of the General Licensing Committee**

The Committee received a report that provided Members with the opportunity to comment on proposals for a review of the Constitution in relation to the General Licensing Committee and Licensing Act Committee that included revised Terms of Reference for both Committee's and as part of revising the General Licensing Committee's Terms of Reference, the introduction of a new and more streamlined system for hearings.

If agreed, driver Hearing Panels would be heard by a Sub Committee Panel consisting of five members, drawn from the membership of the General Licensing Committee. To ensure consistency of approach, the Panel hearings would be chaired by either the Chair or Vice Chair of the Licensing Committee and the rest of the membership would be filled on a rota basis to ensure that all members continue to play a positive role in the practical work of the Committee. The membership would also be allocated in accordance with political balance.

Members of the Governance Committee commented that they were pleased that the Hearing Panels would consist of five members rather than three that had previously been suggested. However, the Committee agreed to let the General Licensing Committee debate and form a recommendation to Council.

#### RESOLVED

That the final decision be delegated to the Chairman and Vice Chairman to recommend the wording for approval to the Council meeting on 27 September subject to any comments/views being made by the Licensing Committees on 19 September.

Chair

Date

REPORT TO	ON
Governance Committee	29 <sup>th</sup> November 2017

External Audit Annual



TITLE	REPORT OF
External Audit Annual Audit Letter for the Year ended 31 March 2017	Acting Chief Finance Officer (s151)

Is this report confidential?	No
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## 1. PURPOSE OF THE REPORT

The external auditor (Grant Thornton) will present their Annual Audit Letter to the committee, following the completion of the annual audit for 2016/17.

## 2. RECOMMENDATIONS

2.1 That members note the findings in the Annual Audit Letter for 2016/17 (Appendix A)

## 3. EXECUTIVE SUMMARY

3.1 It is the responsibility of the External Auditors under statute to:

- i) Give an opinion on the Council's financial statements.
- ii) Assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resource (also known as the value for money (VfM) conclusion).

3.2 At the meeting on 13<sup>th</sup> September, the Governance Committee received a report of the external auditor on their audit findings for the authority for the year ending 31 March 2017 that highlighted key matters arising for the Council's financial statements and appreciation of the finance team and associated officers for their assistance during the audit.

3.3 At the time of the September meeting the audit work was still being finalised but the auditors informed the committee that they intended to issue both a financial statements opinion and a Value for money conclusion by the statutory deadline for the 2016/17 accounts of 30 September 2017.

3.4 On the 29<sup>th</sup> September 2017, Grant Thornton gave an unqualified opinion on the Council's financial statements and a qualified value for money conclusion. The detailed findings and conclusions are set out in the attached Annual Audit letter.

## 4. CORPORATE PRIORITIES

The report relates to the following corporate priorities:

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	✓

## 5. WIDER IMPLICATIONS AND BACKGROUND DOCUMENTATION

### 5.1 Comments of the Statutory Finance Officer

The audit letter concludes that the accounts were generally of a good quality and the finance team responded as required to queries identified. It has been agreed that some disclosure issues which were identified will be addressed for 2017/18.

As previously advised, the statutory deadlines for approval and publication of the audited accounts has been brought forward for 2017/18 and future years. The accounts will need to be available for audit by 31 May and the audited accounts published by 31 July 2017, two months earlier than in 2016/17. Officers are working with the external auditors to ensure these deadlines can be achieved and Governance Committee dates are being revised to meet these new requirements.

### 5.2 Comments of the Monitoring Officer

The audit letter finds that the Annual Governance Statement (AGS) was prepared in line with relevant guidance and was consistent with the supporting evidence and the external auditor's own knowledge of the council.

Members should note that the timetable for approving next year's AGS (in conjunction with the accounts) has been brought forward as explained in the preceding section of this report.

<b>Other implications:</b>  ▶ Risk  ▶ Equality & Diversity  ▶ HR & Organisational Development  ▶ Property & Asset Management  ▶ ICT / Technology	<p>The external auditor has applied a risk based approach and the annual audit letter sets out key risks identified, the work undertaken and their findings and conclusions in relation to those risks.</p>
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## 8. BACKGROUND DOCUMENTS

Governance Committee 13<sup>th</sup> September 2017: External Audit - 2016/17 Audit Findings and Progress Report

Appendix A: The Annual Audit Letter for South Ribble Borough Council (Grant Thornton)

SMT Member's Name: Jane Blundell  
Job Title: Acting s151 officer

Report Author:	Telephone:	Date:
Jane Blundell	01772 625245	20/11/17

# The Annual Audit Letter for South Ribble Borough Council

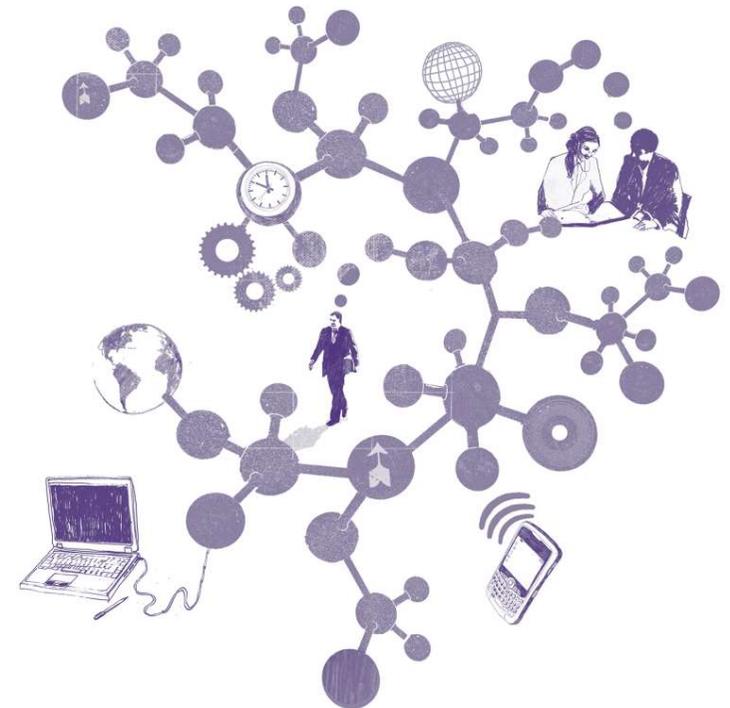
Year ended 31 March 2017

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23 October 2017

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# Executive summary

## **Purpose of this letter**

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at South Ribble Borough Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Governance Committee (as those charged with governance) in our Audit Findings Report on 13 September 2017.

## **Our responsibilities**

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

## **Our work**

### **Financial statements opinion**

We gave an unqualified opinion on the Council's financial statements on 29 September 2017.

### **Value for money conclusion**

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017 except for the failings in the Council's procedures, including a major corporate governance failure, which resulted in significant damage to the Council's reputation. We therefore qualified our value for money conclusion in our audit opinion on 29 September 2017

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### **Certificate**

We certified that we had completed the audit of the accounts of South Ribble Borough Council in accordance with the requirements of the Code on 29 September 2017.

### **Certification of grants**

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Governance Committee in our Annual Certification Letter.

### **Working with the Council**

During the year we have enjoyed a good working relationship with the Council.

Our regular meetings with the management team have enabled us to complete an audit focussed on relevant risks. This helped inform our audit plan issued in March 2017 and enabled us to complete our focussed audit work by the statutory deadline.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
**October 2017**

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# Audit of the accounts

## **Our audit approach**

### **Materiality**

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £0.888million, which is approximately 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for the identification of related parties and senior officer remuneration.

We set a lower threshold of £44,000, above which we reported errors to the Governance Committee in our Audit Findings Report.

### **The scope of our audit**

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Chief Finance Officer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

# Audit of the accounts – South Ribble Borough Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>identified the controls put in place by management to ensure that the pension fund liability is not materially misstated.</li> <li>assessed whether these controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement.</li> <li>reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out.</li> <li>undertook procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>	<p>The overall conclusion is that the pension fund liability is materially correct and we found no issues to report in our Audit Findings Report presented to the Governance Committee on 13 September 2017.</p>
<p><b>Valuation of property, plant and equipment (PPE)</b></p> <p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements</p>	<p>We:</p> <ul style="list-style-type: none"> <li>reviewed management's processes and assumptions for the calculation of the estimate.</li> <li>reviewed the competence, expertise and objectivity of any management experts used.</li> <li>reviewed the instructions issued to valuation experts and the scope of their work</li> <li>corresponded with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions.</li> <li>reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>tested revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>	<p>Appropriate assurance has been gained and there are no issues arising.</p>

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# Audit of the accounts

## Audit opinion

We gave an unqualified opinion on the Council's accounts on 29 September 2017, in advance of the 30 September 2017 national deadline.

The Council authorised the accounts available for audit on 30 June 2017 and provided appropriate supporting working papers. The finance team responded as required to our queries during the audit. Whilst there was one classification issue on the balance sheet, which is outlined below, and some disclosure amendments that were outlined in our audit findings report, the accounts were generally of a good quality.

## Issues arising from the audit of the accounts

Page 19  
We reported the key issues from our audit of the accounts of the Council to the Governance Committee on 20 September 2017. In addition to the key significant audit risks reported above, we identified the following issues during our audit that we have asked the Council's management to address for the next financial year:

- Our review of cash equivalents in the cash balance identified £13m of balances that were incorrectly disclosed in the balance sheet. Paragraph 7 of IAS 7 states: 'an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three-months or less from the date of acquisition' (IAS 7.7). For all of the items within the £13m the maturity date was more than 3 months from the date of acquisition and were re-categorised as short term investments
- We concluded that the Council's revenue recognition policy was adequately disclosed, but could be enhanced by including reference to specific forms of income, such as council tax, business rates and grants
- The CIPFA disclosure checklist is a key document that gives assurance to those authorising the accounts that the financial statements includes all appropriate disclosures. The disclosure checklist had not been completed and we had to complete this as part of our audit. We have recommended that the Council completes the disclosure checklist as the financial statements are being prepared

- We requested further prime documentation be made available as part of the working papers to support senior officer remuneration

## Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement (AGS) and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines. We did request a small number of amendments to the AGS to further improve the disclosures made in the Statement however our overall conclusions are that both documents were:

- prepared in line with the relevant guidance; and
- consistent with the supporting evidence provided and with our knowledge of the Council.

## Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. We are pleased to report that we did not have to use any of our additional powers or duties at the Council and no objections were received.

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# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

## Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

## Overall VfM conclusion

Based on the work we performed to address the significant risks, we concluded that:

- except for the matters we identified in respect of the Scrutiny Committee Task Force review following the investigation of matters related to the licensing service, the Council had proper arrangements. We therefore gave a qualified 'except for' conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in your use of resources.

# Value for Money

**Table 2: Value for money risks**

Risk identified	Work carried out	Findings and conclusions
<p><b>Improvement plan</b></p> <p>In December the Cabinet endorsed the development of a detailed improvement action plan, following the approval of a previous plan arising from the Scrutiny Review of Licensing, and the development and approval of the Annual Governance Statement.</p> <p>The detailed action plan includes specific milestones, with timescale and leads, which are linked to different improvement themes.</p> <p>As the improvement plan underpins the Council's Corporate Priority to be an 'efficient, effective and exceptional council' there is a risk that, without the delivery of the milestones, the corporate priority will not be achieved.</p>	<p>We reviewed the progress made in implementing the actions and also considered how the Council is monitoring progress.</p>	<p>Last year we qualified the Council's VfM Conclusion due to the matters identified in respect of the Scrutiny Committee Task Force review following the investigation of matters related to the licensing service. Due to the related issues remaining throughout much of 2016/17 we have concluded that we will need to include a similar "except for" VfM conclusion.</p> <p>However the Council has looked to make some improvements.</p> <p>The Scrutiny Committee Task Force review into taxi licensing highlighted a number of serious governance concerns including:</p> <ul style="list-style-type: none"> <li>• a major corporate governance failure within the Council which resulted in significant damage to the Council, its reputation and trust with residents</li> <li>• unconstitutional actions taken by members and officers</li> <li>• failure to follow contract procedure rules</li> <li>• apparent exclusions of key officers and members from the review process</li> <li>• member intervention in disciplinary proceedings in contravention of the Council's constitution</li> <li>• lack of clarity among some officers with respect to the roles of officers and members.</li> </ul> <p>The Local Government Association (LGA) Peer Review team stated in their report published in April 2017 that 'the Council is currently seeking to recover from a number of governance issues which continue to absorb a large amount of the Council's capacity and attention.'</p> <p>Given the timing of the above we have had to take the issues in to consideration in this year's VfM Conclusion. However in the period between December 2016 and September 2017 the Council has responded to the issues in several different ways including:</p> <ul style="list-style-type: none"> <li>• Developing the improvement action plan – this has been regularly reported to Scrutiny Committee</li> <li>• Bringing in the Peer Review team for the review of the Council in March</li> <li>• The development of the Improvement Reference Group in response to the findings of the Peer Review during 2017/18.</li> </ul> <p>However due to the fact that the VfM Conclusion covers the period 1 April 2016 through to 31 March 2017 our conclusion remains that there were weaknesses in the Council's arrangements for demonstrating and applying the principles and values of good governance to support informed decision making and this led to an 'except for' VfM Conclusion.</p>

# Value for Money

Risk identified	Work carried out	Findings and conclusions
<p><b>Medium term financial planning</b>                      The medium term financial strategy is based on a number of assumptions that will result in the Council overcoming an estimated gross cumulative budget deficit in 2019/20 of approximately £3.3m. The Council plans to meet this deficit through a number of ways including new or increased charges; the extension of shared service arrangements; and the Business Transformation Programme.</p> <p>There is a risk that if the new ways of working and revised charges do not deliver then the Council will not be sustainable in future years.</p>	<p>We considered the main assumptions in meeting the deficit in future years by reviewing some of the key ways the Council is planning to reduce expenditure (e.g. expanding shared services) or increase income (e.g. Garden Waste charges).</p>	<p>The medium term financial strategy highlighted that the Council will be facing an estimated gross cumulative budget deficit of £3.3m by 2019/20. The financial position at South Ribble is a complex one. The Council is fortunate to find itself in a position where it has no outstanding loans, short-term investments of £25m and usable revenue and capital reserves of £27m. However, financial pressures remain and a number of major schemes have been identified to bridge the budget deficit. We noted that the Peer Review recommended that the Council should develop robust plans to bridge the financial gap in the Council's medium term financial plan, focused around firm project plans.</p> <p>We reviewed four schemes in relation to the supporting evidence</p> <ul style="list-style-type: none"> <li>• Charging for the collection of garden waste (£540,000) – calculations provided though achievement very much dependent on take-up of the service</li> <li>• Council Tax increase (£457,000) – calculations provided, however this at the higher end of the likely increase in income</li> <li>• Expansion of shared services (£750,000) – plans are developing and the savings are yet to be confirmed</li> <li>• Business Transformation Programme (£500,000) – plans are developing and an analysis was provided</li> </ul> <p>As highlighted in the peer review report there is a need to bring the medium term financial plan 'alive' over the next few months by bringing forward concrete project plans for the larger-scale savings projects. However our conclusion is that, despite further work being required to produce detailed project plans, the Council remain in a relatively good position in relation to the overall financial position.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</b></p>

# Value for Money

Risk identified	Work carried out	Findings and conclusions
<p><b>Staff survey</b> The staff survey, reported to Scrutiny Committee in January 2017, highlighted a number of issues in relation to the overall morale and welfare of the Council's workforce. This included:</p> <ul style="list-style-type: none"> <li>• 48% of staff said the working environment was stressful</li> <li>• Over 23% said that they had been bullied or harassed at work;</li> <li>• Only 4% said that they felt morale was good across the Council and;</li> <li>• Only 16% felt that the work of their service area was valued by Councillors</li> </ul> <p>There is an obvious risk that if these issues are not addressed urgently it will both damage the reputation of the Council and reduce the overall effectiveness of services.</p>	<p>We considered the Council's approach to responding to the issues set out in the survey as well as seeing how it has assessed the impact of the poor morale.</p>	<p>The Council has responded to the Staff Survey and there is no evidence to suggest a negative impact on service delivery. Both the Communications Strategy and the Transformation Strategy were developed to address issues raised in the survey. Other work is ongoing such as the development of the social media policy for members and the development of a new member / officer protocol.</p> <p>We considered whether there has been any impact on the Council's performance, however evidence suggests it was 'business as usual'. An LGA resident survey found there were good to high levels of satisfaction among residents with regards to all five indicators of satisfaction in the survey. For each measure, a significantly higher proportion of South Ribble respondents gave a positive reply compared to the proportion observed nationally.</p> <p>We have concluded that the issues identified in the survey did not have a significant impact on the Council's performance and that the Council took on board the issues. Whilst some of the actions have been finalised in 2017/18, or are on-going, and therefore outside of the formal consideration for the VfM Conclusion, it is important that the Council takes a considered approach to deal with the issues raised.</p> <p><b>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements</b></p>

# Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and that there were no fees for the provision of non audit services.

## Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of the Council	43,923	43,923	43,923
Housing Benefit Grant Certification	6,968	Tbc	7,128
<b>Total fees (excluding VAT)</b>	<b>50,891</b>	<b>Tbc</b>	<b>51,051</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our certification work is due to be completed by 30 November 2017 and our fees will be confirmed shortly after that date.

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## Reports issued

Report	Date issued
Audit Plan	April 2017
Audit Findings Report	September 2017
Annual Audit Letter	October 2017

## Fees for other services

We confirm that no non-audit or audited related services have been undertaken for the Council



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REPORT TO	ON
Governance Committee	29 <sup>th</sup> November 2017

External Audit Annual



TITLE	REPORT OF
External Audit Update and Progress Report	Acting Chief Finance Officer (s151)

Is this report confidential?	No
------------------------------	----

## 1. PURPOSE OF THE REPORT

Grant Thornton will present their report on progress in delivering their responsibilities as the Council's external auditors.

## 2. RECOMMENDATIONS

2.1 That members note the contents of the external auditors report (Appendix A).

## 3. CORPORATE PRIORITIES

The report relates to the following corporate priorities

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	√

## 4. DETAILS

4.1 The attached progress report includes information in relation to the following:

- 2016/17 statutory audit
- certification of the 2016/17 Housing benefits final claim
- issue of the auditor's fee letter 2017/18
- accounts audit plan 2017/18
- interim and final accounts audits 2017/18
- value for money conclusion 2017/18
- update on technical and local authority matters

## 7. WIDER IMPLICATIONS AND BACKGROUND DOCUMENTATION

### 7.1 Comments of the Statutory Finance Officer

The attached report is for information only and therefore there are no direct financial implications.

## 7.2 Comments of the Monitoring Officer

There are no legal implications arising as the report is essentially for information

<p><b>Other implications:</b></p> <ul style="list-style-type: none"><li>▶ <b>Risk</b></li><li>▶ <b>Equality &amp; Diversity</b></li><li>▶ <b>HR &amp; Organisational Development</b></li><li>▶ <b>Property &amp; Asset Management</b></li><li>▶ <b>ICT / Technology</b></li></ul>	<p>This is a progress report and update to the Governance committee and therefore there are no direct implications</p>
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## 8. BACKGROUND DOCUMENTS

Appendix A: Governance Committee Update and Progress Report (Grant Thornton)

SMT Member's Name: Jane Blundell  
Job Title: Acting deputy s151 officer

Report Author:	Telephone:	Date:
Jane Blundell	01772 625245	20/11/17

# South Ribble Borough Council: Governance Committee Update and Progress Report

3 November 2017

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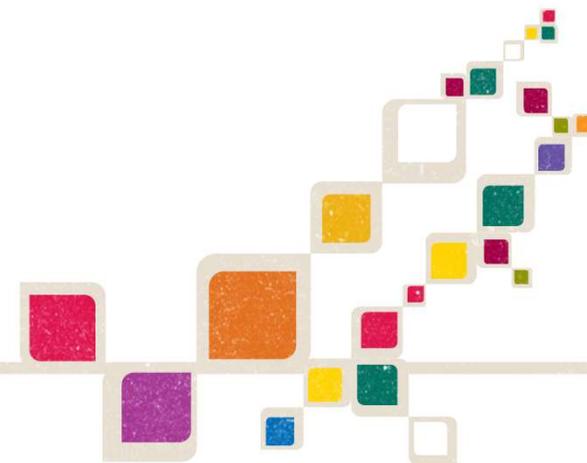
In-charge Auditor

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



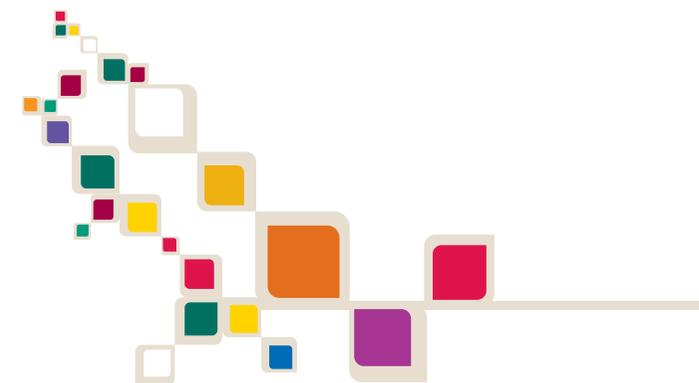
# Introduction

This paper provides the Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

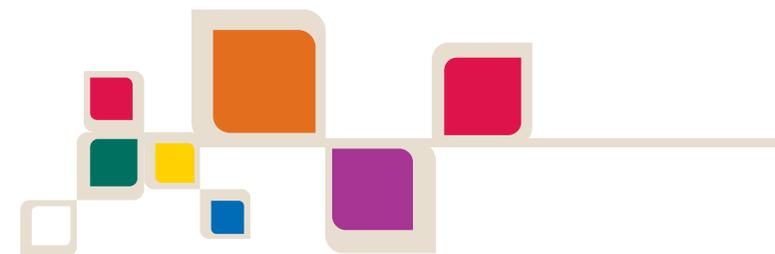
Members of the Governance Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications and articles, including the reports mentioned in this update along with other items:

- Income generation is an increasingly essential part of providing sustainable local services ; <http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>
- Social enterprises are becoming increasingly common vehicles for delivering services that are not an ‘essential’ service for an authority but still important to the local community; <http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>
- Fraud risk, 'adequate procedures', and local authorities; <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- Brexit and local government; <http://www.grantthornton.co.uk/en/insights/a-global-britain-needs-more-local-government-not-less/> and <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

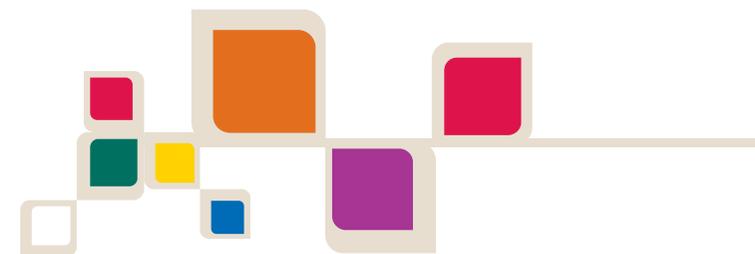


# Progress at 3 November 2017



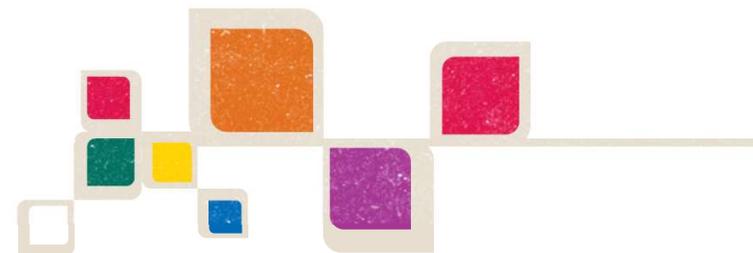
2016/17	Planned Date	Complete?	Comments
<b>2016/17 statutory audit:</b>			
The Audit Findings Report was presented to the September Committee.		Y	
The Audit Opinion on the Financial Statements and the VfM Conclusion were both issued on 29 September 2017.		Y	
The 2016/17 Audit Completion Certificate was issued on 29 September 2017		Y	
The Annual Audit Letter has been issued to the Council and is to be presented at this Governance Committee..		Y	
<b>2016/17 certification:</b>			
Housing Benefits: The work on the Housing benefits work is ongoing. The work will be completed by the deadline of 30 November and we will report our findings in the certification report in January.	30/11/17	N	For 2018/19 PSAA will no longer appoint the Council's Housing Benefits auditor. The Council must follow its procurement process and notify the DWP of its appointed auditor by 1 March 2018.

# Progress at 3 November 2017



2017/18	Planned Date	Complete?	Comments
<p><b>Fee Letter</b></p> <p>We are required to issue a 'Planned fee letter for 2017/18 by the end of April 2017. This is the final audit year under the current contract. PSAA has awarded contracts to audit suppliers and is currently consulting on local appointments. Your audit supplier from 2018/19 will be confirmed by the end of December 2017.</p>	<p>April 2017</p>	<p>Y</p>	<p>The fee letter was issued on 20 April 2017. PSAA has maintained the audit scale fee for 2017/18 at the 2016/17 level of £43,923..</p> <p>Scale fees for all Councils are published on the PSAA website.</p> <p><a href="https://www.psaa.co.uk/">https://www.psaa.co.uk/</a></p>
<p><b>Accounts Audit Plan</b></p> <p>We will issue a detailed accounts audit plan to the Council setting out our proposed approach to the audit of the Council's 2017/18 financial statements. This will be issued upon completion of our audit planning.</p> <p>The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We are discussing with your officers our plan and timetable to ensure that we complete our work by this earlier deadline.</p> <p>We may also need to discuss and agree with you the arrangements for the issue of the draft Audit Findings Report, in view of the time available to complete our work and your committee report deadlines.</p>	<p>January 2018</p>	<p>N</p>	<p>To inform our audit planning we hold regular meetings with senior management and the finance team. We also review Council minutes and remain alert to emerging sector issues which may impact upon the financial statements.</p>

# Progress at 3 November 2017



2017/18	Planned Date	Complete?	Comments
<p><b>Interim accounts audit</b></p> <p>Our interim fieldwork visit plan will reflect the need to complete as much as possible earlier in the audit cycle. Our work will include:</p> <ul style="list-style-type: none"> <li>• review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• Value for Money conclusion risk assessment.</li> </ul>	TBC	N	
<p><b>Final accounts audit</b></p> <ul style="list-style-type: none"> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion</li> <li>• review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18</li> </ul>	June/July 2018	N	
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work is unchanged from last year and is set out in the final guidance issued by the National Audit Office in November 2016. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	July 2018	N	

# Technical Matters

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# Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and forthcoming provisions for IFRS 9 and IFRS 15

## Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18. The main changes to the Code include:

- amendments to section 2.2 (Business Improvement District Schemes (England, Wales and Scotland), Business Rate Supplements (England), and Community Infrastructure Levy (England and Wales)) for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report
- updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 (Housing Revenue Account) to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements)

- amendments to section 6.5 (Accounting and Reporting by Pension Funds) to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

## Forthcoming provisions for IFRS 9 and IFRS 15

CIPFA/LASAAC has issued 'Forthcoming provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Practice on Local Authority Accounting in the United Kingdom 2018'. It sets out the changes to the 2018/19 Code in respect of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. It has been issued in advance of the 2018/19 Code to provide local authorities with time to prepare for the changes required under these new standards.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a single classification approach for financial assets, a forward looking 'expected loss' model for impairment (rather than the 'incurred loss' model under IAS 39) and some fundamental changes to requirements around hedge accounting.

## Technical Matters

### Questions:

Is your Finance Team aware of the changes to the Code of Practice in 2017/18 and the forthcoming changes to lease accounting and revenue recognition?

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 changes the basis for deciding whether revenue is recognised at a point in time or over a period of time and introduces five steps for revenue recognition.

It should be noted that the publication does not have the authority of the Code and early adoption of the two standards is not permitted by the 2017/18 Code.

# Sector issues

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# Procurement of external audit services



## Procurement outcome

As a result of the highly successful procurement of auditor services, opted-in Local government and police bodies throughout England will collectively benefit from reduced fees for audit services in 2018/19 compared to 2016/17. Aggregate savings are expected to exceed £6 million per annum, equivalent to a reduction of approximately 18% in the scale fees payable by local bodies.

The results of the process announced on 20 June 2017 involve the award of the following contracts:

- Lot 1 of approx. £14.6 million per audit year was awarded to Grant Thornton LLP;
- Lot 2 of approx. £10.9 million per audit year was awarded to EY LLP;
- Lot 3 of approx. £6.6 million per audit year to awarded to Mazars LLP;
- Lot 4 of approx. £2.2 million per audit year to awarded to BDO LLP;
- Lot 5 of approx. £2.2 million per audit year to awarded to Deloitte LLP; and
- Lot 6 with no guaranteed value of work to awarded to a consortium of Moore Stephens LLP and Scott-Moncrieff LLP.

Contracts were awarded on the basis of most economically advantageous tender with 50% of the available score awarded to price and 50% awarded to quality.

The procurement strategy, agreed by the PSAA Board in December 2016, sets out the basis on which the procurement of audit services was carried out.

Having concluded the procurement, PSAA will commence the process of appointing auditors to opted-in bodies. For more information on the auditor appointment process [click here](#).

## Sector Issues

### Finalising and confirming appointments

The PSAA Board will approve all proposed appointments from 2018/19, following consultation with audited bodies, at its meeting in mid-December. The Board's decision on the appointment of auditors is final. Following Board consideration, we will write to each audited body to confirm their appointment. We plan to send all confirmations on 18 December..



### Housing Benefit (Subsidy) Assurance Process 2018/19: Module 1 Special Purpose Framework Instruction:

This Circular sets out the arrangements for the audit of the housing benefits subsidy for 2018/19. It is for the LA to appoint a reporting accountant to undertake this work and notify the DWP of this. A standard letter of notification for the LA use is set out in Appendix 1. This letter of notification must be issued to the DWP by the LA no later than the 1st March 2018.

# Local Authority 2016/17 Revenue Expenditure and Financing

## Sector Issues

DCLG has produced a summary of Local Authorities' 2016/17 provisional revenue spending and financing. It notes that Local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure. The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

- Local authority revenue expenditure totalled £93.5 billion for all local authorities in England in 2016-17. This was 1.1% lower than £94.5 billion spent over 2015-16.
- Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. 2016-17 was first year local authorities were able to raise additional funding for Adult Social Care through the council tax precept.
- The largest decrease in local authority expenditure was on Education services. This was £0.8 billion (2.4%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central Government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.5 billion of this increase is due to the Greater London Authority.

The full report is available at:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/639755/Revenue\\_Expenditure\\_and\\_Financing\\_2016-17\\_Provisional\\_Outturn.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/639755/Revenue_Expenditure_and_Financing_2016-17_Provisional_Outturn.pdf)

## Did you know....

This data set and many others are included in CFO Insights.

CFO Insights is the Grant Thornton and CIPFA online analysis tool. It gives those aspiring to improve the financial position of their organisation instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

# Grant Thornton publications



# Setting up a successful social enterprise

Local government continues to innovate as it reacts to ongoing austerity. An important strand of this response has been the development of alternative delivery models, including local authority trading companies, joint ventures and social enterprises.

This report focuses on social enterprises in local government; those organisations that trade with a social purpose or carry out activities for community benefit rather than private advantage. Social enterprises come in a variety of shapes and sizes as they do not have a single legal structure or ownership rule and can adopt any corporate form as long as it has a social purpose.

In this report we explore what social enterprises look like, the requirements for setting one up, how they should be managed to achieve success and how they can be ended.

We have complemented this with a range of case studies providing inspiring ideas from those that have been successful and some lessons learned to take into consideration.

## Key findings from the report:

- Austerity continues to be a key driver for change: social enterprises are a clear choice where there is an opportunity to enhance the culture of community involvement by transferring these services into a standalone entity at its centre
- The social enterprise model tends to lend itself more to community services such as libraries, heritage management and leisure, but not exclusively so
- Social enterprises can open up new routes of funding including the ability to be flexible on pricing and access to pro bono or subsidised advice
- Some local authorities have converted exiting models into social enterprises; for example where a greater focus on social outcomes has been identified

## Striking a balance between financial and social returns

If you are a local authority looking to transition a public service to a social enterprise model certain factors will be key to your success including: leadership, continuing the culture, branding, staff reward and secure income stream.

Download our guide to explore how to handle these factors to ensure success, the requirements for setting up a social enterprise; and how social enterprise can be ended. The guide also showcases a number of compelling case studies from local authorities around England, featuring inspiring ideas from those social enterprises that have been a success; and lessons learned from those that have encountered challenges.

Grant Thornton publications

## Questions:

Have you read our report?

Have you downloaded our guide?



<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

# A Manifesto for a Vibrant Economy

## Developing infrastructure to enable local growth

Cities and shire areas need the powers and frameworks to collaborate on strategic issues and be able to raise finance to invest in infrastructure priorities. Devolution needs to continue in England across all places, with governance models not being a “one-size-fits all”. Priorities include broadband, airport capacity in the North and east-west transport links.

Addressing the housing shortage, particularly in London and the Southeast, is a vital part of this. There simply is not enough available land on which to build, and green belt legislation, though designed to allow people living in cities space to breath, has become restrictive and is in need of modernisation. Without further provision to free up more land to build on, the young people that we need to protect the future of our economy will not be able to afford housing, and council spending on housing the homeless will continue to rise.

Business rates are also ripe for review – a property-based tax is no longer an accurate basis for taxing the activity and value of local business, in particular as this source of funding becomes increasingly important to the provision of local authority services with the phasing out of the Government’s block grant.

Demographic and funding pressures mean that the NHS no longer remains sustainable, and the integration of health and social care – recognised as critical by all key decision makers – remains more aspiration than reality.

There is an opportunity for communities to take a more holistic approach to health, for example creating healthier spaces and workplaces and tackling air quality, and to use technology to provide more accessible, cheaper diagnosis and treatment for many routine issues

## Finding a better way to measure the vibrancy of places

When applied to a place we can see that traditional indicators of prosperity such as GVA, do not tell the full story. To address this we have developed a [Vibrant Economy Index](#) to measure the current and future vibrancy of places. The Index uses the geography of local authority areas and identifies six broad objectives for society: prosperity, dynamism and opportunity, inclusion and equality, health wellbeing and happiness, resilience and sustainability, and community trust and belonging.

The city of Manchester, for example, is associated with dynamic economic success. While our Index confirms this, it also identifies that the Greater Manchester area overall has exceptionally poor health outcomes, generations of low education attainment and deep-rooted joblessness. These factors threaten future prosperity, as success depends on people’s productive participation in the wider local economy, rather than in concentrated pockets.

Every place has its own challenges and opportunities. Understanding what these are, and the dynamic between them, will help unlock everybody’s ability to thrive. Over the coming months we will continue to develop the Vibrant Economy Index through discussions with businesses, citizens and government at a national and local level.

**Guy Clifton – Head of Local Government Advisory**

Grant Thornton publications

## Question:

Have you read our manifesto?



CREATING A MANIFESTO  
FOR A VIBRANT ECONOMY  
Draft recommendations  
April 2017



<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/creating-manifesto-vibrant-economy-draft-recommendations.pdf>

# The Board: creating and protecting value

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In all sectors, boards are increasingly coming under pressure from both the market and regulators to improve their effectiveness and accountability. This makes business sense given a strong governance culture in the boardroom produces better results, promotes good behaviour within the organisation and drives an organisation's purpose.

Grant Thornton's new report 'The Board: creating and protecting value' is a cross- sector review of board effectiveness, based on a survey of executives and non-executives from a range of organisations including charities, housing associations, universities, local government, private companies and publically listed companies.

It considers the challenges faced by boards, ways in which they can operate more effectively; and how to strike the right balance between value protection and value creation.

This report uses the DLMA analysis which categorises skills into four areas: Directorship, Leadership, Management and Assurance. This powerful tool provides a framework (see graph 1) with which to evaluate how well an organisation is performing in balance of skills and understanding of roles; and responsibilities between the executive and Board. It helps align risk (value protection) and opportunity (value creation) with overarching strategy and purpose.

<b>Value creation</b>	
<b>Non-executives</b>	<p><b>Directorship</b> How well do the non-executives:</p> <ul style="list-style-type: none"> <li>design, debate and decide the organisation's future?</li> <li>inspire and guide the executive to realise the organisation's purpose?</li> <li>provide support to the executives?</li> </ul>
	<p><b>Leadership</b> How well do the executives:</p> <ul style="list-style-type: none"> <li>Make decisions aligned with realising the organisation's purpose?</li> <li>Inspire and motivate employees to realise the organisation's purpose?</li> <li>model the values of the organisation?</li> </ul>
	<b>Executives</b>
<b>Value protection</b>	
<b>Non-executives</b>	<p><b>Assurance</b> How well do the non-executives:</p> <ul style="list-style-type: none"> <li>monitor financial, compliance and business indicators?</li> <li>ensure appropriate processes are in place to manage risk?</li> <li>have oversight of the executive team?</li> </ul>
	<p><b>Management</b> How well do the executives:</p> <ul style="list-style-type: none"> <li>set goals, creating plans and allocating resources to achieve them?</li> <li>effectively assign roles and responsibilities?</li> <li>Focus on day-to-day tasks and resources needed to deliver strategic aims?</li> </ul>

Source: The Board: Creating and protecting value, 2017, Grant Thornton

Grant Thornton publications

**Question:**  
Have you read our report?



<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/board-effectiveness-report-2017.pdf>

# International Consortium on Governmental Financial Management

## Introduction

Grant Thornton and the International Consortium on Governmental Financial Management (ICGFM) partner every other year to perform an international survey of Public Financial Leaders.

In 2015 the theme was innovation in public financial management. This year's survey has been designed to identify and describe emerging issues around transparency and citizen engagement – building on the themes highlighted in the 2015 report.

The insights will be published in a report later in 2017 and we would be delighted if you were able to spend some time completing the brief on-line questionnaire which can be found [here](#). Your Audit Manager will be able to provide you with a link to the survey if required.

Please note that the ICGFM and Grant Thornton will not identify, or attribute thoughts and quotations to, individual survey respondents in the final 2017 report. This preserves your anonymity, so please respond freely, honestly and openly.

We have again partnered with the ICGFM to survey Financial Leaders

### Question:

- Have you completed the ICGFM survey on transparency and citizen engagement?



## Innovation in public financial management

*in an increasingly complex and uncertain global environment*

Global financial management leaders survey 2015





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REPORT TO	ON
GOVERNANCE COMMITTEE CABINET	29 November 2017 6 December 2017



September 2017

TITLE	PORTFOLIO	REPORT OF
2017/18 Quarter 2 Budget Management Statement (as at September 2017)	Finance	Acting Chief Finance Officer

Is this report a <b>KEY DECISION</b> (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	<b>No</b>
Is this report on the <b>Statutory Cabinet Forward Plan</b> ?	<b>Yes</b>
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council?	<b>No</b>
Is this report confidential?	<b>No</b>

## 1. PURPOSE OF THE REPORT

This report provides an update on the Council's overall financial position compared to the financial plan for the second quarter 2017/18 financial year. The following items have been included:

- Budget Management Report (Appendix One).
- Capital Expenditure (Appendix Two)

## 2. PORTFOLIO RECOMMENDATIONS

That Cabinet review, note and comment on the report and appendices.

## 3. CORPORATE PRIORITIES

The report relates to the following corporate priorities

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	✓

## 4. BACKGROUND TO THE REPORT

This report provides an update on the Council's overall financial position compared to the 2017/18 budget.

## **5. DETAIL**

The financial position as at 30<sup>th</sup> September 2017 has been set out in accordance with the year-end Statement of Accounts, that is, over Directorate rather than on a cost type (subjective analysis basis). The report also shows an initial projected out-turn where budget variances are known to be permanent. At the conclusion of the second quarter it is expected that the out-turn will be positive but at a non-material level with regard to recurring budget variations. It should be noted, however, that this is based on a number of forecasting assumptions with regard to future spend remaining in line with the original budget set. Therefore any proposals and policy changes adopted by Council that have an impact on the Council's budget will result in the assumptions having to be changed which will invariably change the current forecasted out-turn position.

The financial performance to date shows that the Council is performing well and that the financial risk profile in respect of Business Rates Retention has currently moved in a favourable direction. Presently there is greater confidence that the Lancashire Pooling Agreement will continue, however, this also assumes that the outstanding BRR appeals totals do not undergo significant change during the remainder of the year. These two factors are being monitored closely.

The Capital Programme spend is detailed in Appendix Two by project and shows spend to date, forecasted spend to be achieved by the end of the year and projects that may be re-phased into future years. The re-phasing of the Capital Programme will be reviewed when future investment in ICT has been mapped as part of the work currently been done as part of the Business Transformational change programme and as part of setting the budget for 2018/19 that will support the Corporate Plan and Priorities.

It is also expected that the next Budget Management Report will be able to update members on the outcome of the City Deal Resource Review.

## **7. FINANCIAL IMPLICATIONS**

The financial implications are contained within the report and attached appendices.

## **8. HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS**

There are no Human Resources or Organisational Development implications as a result of this report.

## **9. ICT/TECHNOLOGY IMPLICATIONS**

There are no ICT/Technology implications as a result of this report.

## **10. PROPERTY AND ASSET MANAGEMENT IMPLICATIONS**

There are no Property and Asset Management implications as a result of this report.

## **11. RISK MANAGEMENT**

Risk is identified in the report and appendices. The main risk area is the inclusion of assumptions with regard to spend profiles and external influences that will impact on the equivalent performance (that is, out-turn performance) against the full year budget. Therefore any conclusions drawn from the contents of the report should be treated with some caution at this stage of the year. Financial risk is mitigated by the retention of reserves.

**12. EQUALITY AND DIVERSITY IMPACT**

This report is not considered to have any adverse impact on equality.

**13. RELEVANT DIRECTORS RECOMMENDATIONS**

The implications are as stated in the Comments of the Statutory Finance Officer.

**16. COMMENTS OF THE STATUTORY FINANCE OFFICER**

The financial implications are contained within the report and attached appendices.

**17. COMMENTS OF THE MONITORING OFFICER**

The report is clearly in accordance with good practice. There are no direct legal implications arising from it.

**18. BACKGROUND DOCUMENTS (or there are no background papers to this report)**

Budget Report and Medium Term Financial Strategy – Cabinet 20 February 2017

**SMT Member’s Name: Susan Guinness CPFA**

**Job Title: Acting Chief Finance Officer (s151)**

Report Author:	Telephone:	Date:
Susan Guinness	01772 (62) 5376	16/10/17
Jane Blundell	01772 (62) 5245	16/10/17

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**draft**

# **Budget Management Report Month 6 2017/18**

**As at September 2017**

## 1. Revenue Budget Performance

The approved 2017/18 revenue budget set by the Council in February 2017 was £13.182m. The current budget as set out in the table below is £14.197m, a difference of £1.015m. This is due to the budget being updated to reflect the two transactions of receiving City Deal New Homes Bonus and the payment out to LCC (£965k), plus additional s31 funding received (£50k) which has been set aside in earmarked reserves as it will be required to fund costs in relation to business rates reliefs in 2018/19. Both these adjustments have no impact on the bottom line budget.

This report compares the profiled 2017/18 budget to the end of September 2017 with net expenditure incurred to the same period end and also the forecast underspend at year end on certain budget heads where permanent variances have occurred.

The period end variances are summarised by Directorate which is consistent with the reporting of the Council's revenue outturn expenditure and income in the Statement of Accounts.

<b>Month 6 Budget Summary</b>	<b>2017/18 Full Year Budget (excluding recharges)</b>	<b>2017/18 Profiled Budget to September</b>	<b>Actual to September</b>	<b>Variance Under/ (over) spend</b>	<b>Forecast outturn Variance</b>
<b>Directorate</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Chief Executive</b>	<b>2,768</b>	<b>1,950</b>	<b>1,930</b>	<b>20</b>	
<b>Development Enterprise &amp; Community</b>	<b>2,472</b>	<b>1,243</b>	<b>1,114</b>	<b>129</b>	
<b>Governance &amp; Business Transformation</b>	<b>3,207</b>	<b>1,749</b>	<b>1,705</b>	<b>44</b>	
<b>Neighbourhood, Environment &amp; Asset Management</b>					
<i>Investment Property</i>	<i>(818)</i>	<i>(722)</i>	<i>(751)</i>	<i>29</i>	
<i>Other services</i>	<i>4,708</i>	<i>2,171</i>	<i>2,232</i>	<i>(61)</i>	
<b>Total</b>	<b>3,890</b>	<b>1,449</b>	<b>1,481</b>	<b>(32)</b>	
<b>Budgets Not In Directorates:</b>					
Pensions contributions	(909)	(455)	(468)	13	
Pensions deficit payments	1,468	1,468	1,468	0	
Parish Precepts	398	398	398	0	
Investment Interest	(109)	(55)	(83)	28	50
Interest Payable	120	60	60	0	
Provision for Repayment of Debt	1,017	1,018	989	29	29
Transfers from General Reserves	(418)	0	0	0	
Transfers to & from Earmarked reserves	321	446	446	0	
<b>Total Net Expenditure</b>	<b>14,197</b>	<b>9,271</b>	<b>9,040</b>	<b>231</b>	<b>79</b>

<b>Month 5 Budget Summary</b>	<b>2017/18 Full Year Budget (excluding recharges) £000</b>	<b>2017/18 Profiled Budget to September £000</b>	<b>Actual to September £000</b>	<b>Variance Under/ (over) spend £000</b>	<b>Forecast outturn Variance £000</b>
<b>Directorate</b>					
<b>Funding:</b>					
Council Tax	(7,896)	0	0	0	
RSG	(346)	(180)	(180)	0	
Transition Grant	(92)	(46)	(46)	0	
New Homes Bonus ( <i>incl. City Deal</i> )	(1,646)	(832)	(837)	5	5
s31 Grant	(705)	(317)	(317)	0	
Retained Business Rates	(3,512)	5,070	5,070	0	
<b>Total Funding</b>	<b>(14,197)</b>	<b>3,695</b>	<b>3,690</b>	<b>5</b>	<b>5</b>
<b>TOTAL</b>	<b>0</b>	<b>12,966</b>	<b>12,730</b>	<b>236</b>	<b>84</b>

## **2. Revenue Budget Variations**

There are a number of factors that contribute on the Council's budget management performance when compared against the original budget set in February 2017. An explanation is set out below which highlights the salient points and reasons for the budget variations.

### **Chief Executive**

The overall variance in the first six months was a £20,000 net underspend. This was mainly due to: (1) the balance of unspent budget to September in relation to the £200,000 budget for Corporate Support (£36,000). This will be used to part fund interim staff costs in the second half of the year, and; (2) unbudgeted severance pay (£16,000). It is anticipated that this will be offset by vacancy savings and therefore no outturn variance is forecast.

### **Development Enterprise & Community**

The overall variance in the period was a £129,000 net underspend. The main reason for this in-year variation is improved levels of income achieved in relation to Building Control fees and Planning Fee income.

The increase in Building Control income achieved against the profiled budget to September is £24,000. This is partly attributable to the number of school applications received which has boosted fee income levels in the period. Planning fee income to September is (£99,000) higher than the profiled budget. No projected out-turn variance is forecasted at this early stage of the year, however this is a volatile budget which will be closely monitored during the year against the forecast. Some expected large scale planning applications have been included in the current forecasts. Three major applications totalling £113,000 were received in August and September in relation to sites at Wesley Street and Brindle Road, Bamber Bridge.

### **Governance & Business Transformation**

There is an overspend to September of £44,000 in the budgets for this directorate which is partly due to unforeseen severance costs (£36,000). There were offsetting underspends including £22,000 in relation to the landlord incentive scheme due to a lower take up than anticipated in the budget forecasts.

Recovery of housing benefit overpayments is £14,000 less than budgeted in the first 6 months of the year. The nature of housing benefits profiles throughout the year is volatile and fluctuates year on year and therefore variations invariably occur. No out-turn variance is anticipated at this stage but this budget will continue to be closely monitored each month and any permanent, material variation reported accordingly.

## Neighbourhood Environment & Asset Management

The overall budget variance in the six months to September was a £32,000 net overspend which is partly due to unforeseen severance costs (£68,000) offset by net savings of £36,000. There is an overall underspend of £57,000 on premises costs of which £34,000 relates to reactive repair and maintenance budgets which invariably do not conform by nature to predetermined spend profiles, £15,000 savings on business rates due to lower voids than forecast £8,000 on non-material variations.

The income budget for New Bins consists of £45,000 for new properties and the new approved budget of £30,000 which is profiled to be received across the later part of the year. Income for new properties is behind the current profile, however, developments are coming forward and it is expected that this income stream will come back into line later in the year.

## Income

The income budgets below are highlighted as a detailed separate item in order to report transparently on budget heads that have a higher risk profile due to the fact they are affected by factors that may be out of the direct control of Budget Holders. Due to their value, any material variations against budget have the ability to impact significantly on our overall revenue budget position and need to be closely monitored.

The table below provides a summary of the Council's main income streams:

Description	Annual Budget £	Profiled Budget £	Actual to September £	Variance to September £	Forecast Outturn Variance £
Building Control Fees	(150,000)	(75,030)	(98,605)	23,575	0
Car Parking Charges	(92,512)	(46,274)	(51,850)	5,576	0
Domestic Waste - new bins	(75,000)	(30,006)	(18,808)	(11,198)	0
Domestic Waste - spec collns	(32,000)	(16,004)	(20,780)	4,776	0
Land Charges Income	(100,000)	(50,020)	(53,648)	3,628	0
Licensing - Premises	(63,000)	(47,974)	(47,649)	(325)	0
Market Rents	(135,000)	(67,524)	(65,576)	(1,948)	0
Pest Control Income	(23,000)	(10,335)	(10,309)	(26)	0
Planning Application Fees	(375,000)	(187,572)	(286,658)	99,086	Under review
Property Rental	(1,122,756)	(908,330)	(893,347)	(14,383)	0
Short Term Interest	(109,000)	(54,520)	(83,194)	28,674	50,000
Taxi Licensing Income	(82,411)	(44,677)	(41,913)	(2,764)	0
Trade Waste Income	(476,810)	(465,032)	(464,983)	(49)	0

## Interest on Investments

Short-term investment income is £29,000 above the profiled budget to the end of September. The increase in interest is a combination of increased average balances and better rates obtained than forecast. Returns on investments and comparatives for the previous reporting period are set out below:-

	<b>Average Balance Periods 1 - 6</b>	<b>Average Rate Periods 1 - 6</b>	<b>No of days</b>	<b>Interest Earned</b>
2016/17	£31,701,090	0.682954%	183/365	£108,549
2017/18	£32,842,813	0.505237%	183/365	£83,194

Although a favourable out-turn variance is anticipated, the likelihood is that the average rate will reduce as the year goes on as greater cash balances present greater difficulty to place cash within the constraints of the Treasury Strategy.

## Investment Property rental income

Rental income to September is £14,000 lower overall than budgeted for the period. This is a reduction from the income position reported in June due to a large unit being vacated and not re-let yet due to an investigation regarding the previous occupants. This is mitigated partly by the letting of smaller units and consequently although the overall floor area occupied remains at 96% let, there has been a marginal increase in the number of units let from 95% at the end of the first quarter to 96% let at the end of September. The budget assumptions on void rates will be reviewed and updated.

## Business Rates Retention - BRR

Regular monitoring is being undertaken as increases or reductions in the tax base will impact on current and future years funding. The current trend is favourable, with the Council's share of net growth to date in the region of £55,000 against the anticipated increase of £100,000. Prior to the Council entering the Lancashire Pooling Agreement any growth against the government baseline would have resulted in an additional levy payment and therefore an in-year budget overspend. The pooling agreement for 2017/18 currently means that additional income generated by tax base growth is retained locally following a 10% contribution to Lancashire County Council.

The impact of the Lancashire Pooling Agreement is very positive and resulted in £5.1m being retained within Lancashire in 2016/17, this will have a favourable impact on the risk profile of BRR and therefore on the budget planning assumptions if the borough's outstanding appeals profile does not experience an influx of additional appeals into the Valuation Office Agency (VOA).

A review of the risk profile of BRR is currently being undertaken as part of the Council's Medium Term Financial Strategy and its Strategic Review of Reserves the outcome of which will impact on the budget challenge assessment in future years.

### **3. Overall Commentary**

It is pleasing to report that the financial position as at 30th September 2017 shows that the Council is performing well and generally in line with its profiled budget whilst also accommodating additional project costs and one-off staffing costs. It is important to note, however, that this is based on a number of forecasting assumptions made with regard to expected spending patterns and levels of income received. Therefore, it is too early to predict accurately the projected year-end position.

In summary, financial performance against budget as at 30th September 2017 is consistent with the period's anticipated spending level, however all Budget Holders and Directors are required to closely monitor all spend to ensure that no overspending on individual budget heads occurs.

The current position is being closely monitored with particular regard to volatile budgets that are subject to fluctuation and therefore present a higher risk, updates are being reported during the course of the year. All material budget variations, the potential impact on future budget forecast and the resulting movement in reserves are reported to Members in accordance with the reporting cycle and as soon as practicably possible. The impact of external factors on budget performance are highlighted through this report and therefore the outcome of the Resource Review into City Deal will be included in future reports when it's outcome is published.

It is important to note that the updated start position as at 01/04/17, after the accounts have been closed for the previous year, and any significant in-year variations will be applied to the 2018/19 Budget setting process which support the refresh of the Corporate Plan and Priorities.

The key messages to date are:

- There is a favourable, yet non-material budget variation with regard to the revenue budget. This underspend is being used to fund costs in respect of the Business Transformational Change Programme. The ongoing realisation of the variation at out-turn will be dependent on the continued receipt of Planning Fess income which cannot be guaranteed at this stage in the year.
- The Capital Programme reported highlights a forecasted variation at the end of the year. Some Capital Resources will be rolled forward to allow the scheme to be completed in the next financial year. ICT expenditure commitments are currently under review so that they are aligned to delivering maximum efficiencies within the BT programme.
- The impact of the year end out-turn position and any significant in-year variations will be included in the 2018/19 Budget setting round. The outcome of which will be to support the Corporate Plan and Corporate Risk Register that will be refreshed over the forthcoming months and progress the Council in one of its strategic aims of becoming financially self-sufficient.

#### **Reporting Parameters**

Year-end balance sheet and collection fund adjustments that impact on the revenue budget are outwith the scope of this report. Nevertheless with effect from the half year report the budget management report will be aligned to performance report of the Corporate Plan and include a wider context with regard to a Revised Estimate in respect of Capital Resources and Earmarked Reserves forecasts.

## **4. Capital Programme**

Details of the Council's capital spending, by project is contained in **Appendix Two**. The original budget for 2017/18 was £4,404,522 which increased to £4,852,470 as a result of:

- 1) slippage of schemes from 2016/17 (£427,948);
- 2) additional approval (£20,000) - Wherside Way drainage works, funded from a grant of £20,000 from the Environment Agency as part of their Flood Resilience Grant programme.

The projected spend is compared to the full year budget to provide an update on any current spend progress. The expenditure (actual plus committed) at the end of September totalled £1.626m which is 33.5% of the total budget for the year of £4.852m. Directors have provided a spend profile of schemes in order to provide a more accurate budget variation reporting for Members when the programme will also be aligned to investment priorities within the Corporate Plan and long term investment priorities of the Council. The projected out-turn estimated at this early stage in the year shows that there is an expected variance of £1.475m. It should be noted that these are projections may change, for example, ICT expenditure has halted whilst future commitments are currently being assessed as part of the Business Transformational change programme and a proportion of the variance will be rolled over into the next financial year to ensure that projects are still delivered albeit in a different financial year than originally planned. The impact on Capital Funding will be reported in the next monitoring report when more information is available with regard to future Capital Expenditure.

## **5. General and Earmarked Reserves**

A summary of Revenue Reserves & Balances as at 1<sup>st</sup> April was reported as part of the Budget Out-turn Report in June and also in the Statement of Accounts which provides an update to forecasted Revised Estimate contained in the budget report for 2017/18. No adjustments were made to reserves in the first quarter but by means of reporting a post-period material adjustment there is a cabinet recommendation going to Council in September that requests a Business Transformation Earmarked Reserve is created in the sum of £0.500m to pump prime investment to achieve budget efficiency savings. The repayment of this invest to save funding 'pot' should be taken into account as part of each business case presented within the Business Transformational change programme.

The projected reduction in balances from March 2017 to March 2018 of £5.3m is based on the following assumptions:

Budgeted contribution from General Fund balances	-£0.3m
Use of Borough Investment Account reserve in 2017/18	-£3.8m
Asset Management Reserve – Capital Programme	-£1.3m
Asset Management Reserve – Revenue Contribution to reserve	+£0.5m
Business Rates Retention – add. S31 Grant and forecast growth	+£0.4m
ICT strategy – Capital Programme	-£0.4m
Other reserve – release of carry forward	-£0.4m
<b>Total</b>	<b><u>-£5.3m</u></b>

As previously reported underspends during the year in respect of both capital and revenue net expenditure will cause variations to the balances shown below.

Revenue Reserves	Actual Balance 31 March 2017 £'000	Projected Balance 31 March 2018 £'000	Projected Balance 31 March 2019 £'000	Projected Balance 31 March 2020 £'000
<b>Total General Fund Reserves</b>	<b>4,597</b>	<b>4,297</b>	<b>4,036</b>	<b>4,436</b>
<b>Earmarked Reserves:</b>				
Asset Management	1,494	689	19	219
Borough Council Elections	82	112	142	52
Borough Investment Account	3,824	0	0	0
Building Control	22	22	22	22
Business Rates Retention	3,250	3,674	3,938	4,015
Housing Needs Survey	87	62	52	72
ICT Strategy	988	617	510	400
Leisure Sites Repair & Maintenance	160	160	160	160
Local Development Framework	80	80	80	80
Performance Reward Grant	68	48	42	42
New Burdens Funding	222	222	147	147
My Neighbourhoods	45	45	45	45
Public Open Space funds	1,535	1,476	1,417	1,358
Organisational Restructure costs	385	385	385	385
Vehicles & Plant Replacement	21	21	21	21
Other Earmarked Reserves	1,733	1,350	1,222	988
<b>Total Earmarked Reserves</b>	<b>13,996</b>	<b>8,963</b>	<b>8,203</b>	<b>8,006</b>
<b>Total Reserves</b>	<b>18,593</b>	<b>13,260</b>	<b>12,239</b>	<b>12,442</b>

Scheme Name	Budgets and Actuals								Further details about the scheme and the financial position	Projections					
	(A)				(B)		(A - B)			(C)				(A - C)	
	Original Budget 2017/18	Approved Slippage b/f from 2016/17	In-year budget changes	Latest Budget 2017/18	Expenditure	Orders Raised	Total Committed Spend	Budget Remaining		Q1 (Actual)	Q2 (Actual)	Q3	Q4	Forecast Out-turn 2017/18	Projected Variance
Business Transformation - Customer Contact	30,000	23,448		53,448	31,385	8,400	39,785	13,663	Rollout of IDOX mobile apps for Building Control, Planning and Environmental Health is underway, with £8,400 remaining on the order. Also 150 Blackberry devices have been purchased as a renewal. The remainder of budget will be used for upgrades of the customer contact software to integrate social media.	9,000	22,385	5,000	17,063	53,448	0
Call Centre system upgrade	-	1,940		1,940	-	-	-	1,940	All upgrades and system replacements will be considered as part of the Business Transformational change programme	-	-	-	1,940	1,940	-
Committee Management System	20,000	-		20,000	-	23,200	23,200	(3,200)	Replacing Egenda with Mod.gov and order raised accordingly. Invoice to be paid on completion, expected October.	-	-	23,200	-	23,200	(3,200)
Electronic Document and Records Management System (EDRMS)	22,000	-		22,000	11,230	11,235	22,465	(465)	The scheme involves an upgrade and migration to server 2012. Half the cost was paid up front and the remainder will be paid on successful completion in October.	11,230	-	11,235	-	22,465	(465)
Financial Management Information Systems (FMIS)	20,000	(10,748)		9,252	-	10,750	10,750	(1,498)	When the original budget 2017/18 and revised budget 2016/17 were set, no expenditure was forecast in 2016/17. However, the Civica consultants became available sooner than expected so the opportunity was taken to get the work done early, at a cost of £10,750k. An order for further consultancy work has been raised for £10,750.	-	-	10,750	-	10,750	(1,498)
HR system upgrade	20,000	-		20,000	-	-	-	20,000	An assessment of all optimum system upgrades and replacements will be undertaken within the MTFs Business Transformation project.	-	-	-	-	-	20,000
IT hardware replacement	40,000	-		40,000	26,045	-	26,045	13,955	£12,720 used to purchase ICON upgrade via a waiver. Also purchased 20 tablets. Remainder to be used for infrastructure improvements as part of the MTFs BT change programme	22,080	3,965	13,955	-	40,000	-
Licensing system (LALPAC)	-	2,100		2,100	992	-	992	1,108	This budget is the residual amount from the licensing upgrade in 2016-17 and is being held as a contingency.	-	992	-	-	992	1,108
SAN server replacement	85,029	-		85,029	81,643	-	81,643	3,386	SANs, peripheral devices and cables all purchased. Remaining budget to be used for consultants implementation costs.	81,601	42	3,386	-	85,029	(0)
Sorce - intranet	-	1,734		1,734	-	-	-	1,734	Sorce fully implemented in 2016-17. Residual budget to be used for enhancements if required.	-	-	-	-	-	1,734
Web Firmstep - cloud based	10,000	-		10,000	-	-	-	10,000	All upgrades and system replacements will be considered as part of the Business Transformational change programme	-	-	-	-	-	10,000
Business continuity & disaster recovery	100,000	-		100,000	7,728	2,340	10,068	89,932	This is a contingency budget to be used should any key pieces of hardware or software unexpectedly fail i.e. outside the schemes already included in the programme. All upgrades and replacements are now part of the MTFs BT change programme.	-	7,728	2,340	-	10,068	89,932
Polling Booths	5,460	-		5,460	5,540	-	5,540	(80)	20 new polling booths have been purchased. The scheme is now complete.	5,540	-	-	-	5,540	(80)
<b>Shared Services and Corporate Support</b>	<b>352,489</b>	<b>18,474</b>	<b>-</b>	<b>370,963</b>	<b>164,562</b>	<b>55,925</b>	<b>220,487</b>	<b>150,476</b>		<b>129,451</b>	<b>35,111</b>	<b>69,866</b>	<b>19,003</b>	<b>253,431</b>	<b>117,532</b>
Civic centre - Toilets refurbishment	50,000	-		50,000	-	10,800	10,800	39,200	Works are ongoing on the toilet units in the areas where the DWP are moving in, with an estimated cost of £11k, though most of the costs will be recharged. Works on the other toilet facilities in the building are not yet scheduled so the exact spend for the year is unclear and some of the budget will possibly need re-phasing to 2018/19.	-	-	5,000	20,000	25,000	25,000
Civic centre - Swipe card security system	31,000	-		31,000	19,345	32,770	52,115	(21,115)	Works anticipated to commence in September. The actual costs appearing in our books will be higher than originally budgeted because it has been agreed that the Council will pay for the full value of works and DWP will reimburse their proportion of costs, rather than the Council simply paying only its share. The budget needs to be increased to reflect this.	-	19,345	32,770	-	52,115	(21,115)
Civic centre - CCTV	10,000	-		10,000	-	13,175	13,175	(3,175)	Works are underway and should be complete in quarter 3. The costs are higher than budgeted but the excess will be recharged to the DWP.	-	-	13,175	-	13,175	(3,175)
Civic centre - Relocation of staff	20,000	-		20,000	462	61,580	62,042	(42,042)	Works are ongoing. As with the other Civic Centre works, the budget for this scheme needs increasing to incorporate the costs that will be reimbursed by DWP	-	462	61,580	-	62,042	(42,042)
Inv Prop Farm Yard cottages - New roofs to 3 & 4 Farm yard cottages	50,000	-		50,000	-	-	-	50,000	Tenders have been issued but the prices quoted are significantly greater than the estimated budget. Therefore, the scope of works is being reassessed to bring the costs within budget. Works are still expected to be complete in quarter 3.	-	-	50,000	-	50,000	-
Inv Prop Middleforth / Bison Place - Redevelopment of units	5,000	-		5,000	-	-	-	5,000	Feasibility study on future options for the units to take place in the last quarter.	-	-	-	5,000	5,000	-
Inv Prop Worden Craft Units - Infrastructure upgrade	55,000	-		55,000	-	-	-	55,000	Spend of £25k forecast by December. Works include painting, chimney stack refurbishment, fireplaces and wood burning stoves. Reassessment of further works to be undertaken.	-	-	25,000	-	25,000	30,000

Scheme Name	Budgets and Actuals								Further details about the scheme and the financial position	Projections					
	(A)				(B)		(A - B)			(C)				(A - C)	
	Original Budget 2017/18	Approved Slippage b/f from 2016/17	In-year budget changes	Latest Budget 2017/18	Expenditure	Orders Raised	Total Committed Spend	Budget Remaining		Q1 (Actual)	Q2 (Actual)	Q3	Q4	Forecast Out-turn 2017/18	Projected Variance
Moss Side Depot - Fire suppression works	50,000	-	-	50,000	-	-	-	50,000	Reassessment of the need to undertake this work is currently underway.	-	-	-	-	-	50,000
Gregson Lane replacement pavilion	30,000	-	-	30,000	-	-	-	30,000	The Council will provide this funding towards a new community centre once the community group has raised sufficient funds themselves. Therefore timescales for spend are dictated by the community group and the budget will continue to roll forward into future years until required. However, the community group are making good progress. Therefore £30k to be re-phased to 2018/19.	-	-	-	-	-	30,000
Wesley St development	54,976	-	-	54,976	-	-	-	54,976	The budget will be used to cover any legal costs and valuation fees required to conclude this work. A spend profile cannot be established at the moment so it is currently classed as re-phasing to 2018/19.	-	-	-	-	-	54,976
<b>Management of Assets</b>	<b>355,976</b>	<b>-</b>	<b>-</b>	<b>355,976</b>	<b>19,807</b>	<b>118,325</b>	<b>138,132</b>	<b>217,844</b>		<b>-</b>	<b>19,807</b>	<b>187,525</b>	<b>25,000</b>	<b>232,332</b>	<b>123,644</b>
Open Spaces 2016/17 to 2019/20	117,779	14,054	-	131,833	37,110	-	37,110	94,723	A number of parks capital improvement schemes currently underway or being worked up for completion by March 2018. The list includes Dob Lane ball court, Arboretum planting, Worden Park boundary wall, Higher Walton PF drainage, King George V Playing Field Penwortham re-build brick pillars and footpaths and Tarn Wood drainage and footpaths.	-	37,110	30,000	64,723	131,833	-
Gregson Green - Drainage Scheme	50,608	-	-	50,608	31,861	-	31,861	18,747	Works have been carried out to replace the sports field drainage system, all works have been completed with the exception of improvement works to the Cricket Square, following consultation with the Cricket Club these works will now be carried out at the end of the playing season (September 2017). It is anticipated that the works will be completed by mid-October 2017.	17,802	14,058	18,747	-	50,608	0
Hurst Grange Park development plan	50,000	-	-	50,000	-	-	-	50,000	The Council is assisting the Friends Group in submitting a lottery bid to restore the coach house building. The friends have successfully obtained a resilience grant to allow the process to progress. The budgets purpose is to provide match funding for the restoration project should the bid require it. The budget will roll forward each year until the lottery bid process is concluded. Therefore £50k to be re-phased to 2018/19.	-	-	-	-	-	50,000
Hurst Grange Park	40,340	9,660	-	50,000	-	9,660	9,660	40,340	Works are being carried out to improve the drainage and culverts. The remaining monies (circa 50%) are to be used to support development projects for the park and/or the coach house lottery bid project as outlined in the row above. Therefore the budget may roll forward each year until the lottery bid process is concluded. £25k to be re-phased to 2018/19.	-	-	9,660	15,340	25,000	25,000
Moss Side Sports Facilities - Car park extension	102,500	610	-	103,110	-	-	-	103,110	Project tendered and currently being mobilised. Project forecast to be complete by March 2018.	-	-	-	103,110	103,110	-
St Mary's, Penwortham - Churchyard wall repairs	76,950	-	-	76,950	2,250	-	2,250	74,700	Technical surveys have now been completed to identify works that are required and the risk regarding the stability of the ground in the graveyard and how this could impact on the project. The works will now be tendered and permissions applied for from the diocese and past experience shows that this will take some time. The scheme cannot be undertaken during the autumn/winter period due to the risk of ground instability created by the weather. Due to this and the timescales for permissions from the diocese the scheme and budget of £76,950 will now be re-phased to spring 2018/19.	-	2,250	-	-	2,250	74,700
Vehicles and Plant replacement programme	970,000	33,464	-	1,003,464	18,964	27,174	46,138	957,326	Report seeking award of tenders scheduled for October 2017 Cabinet. £600k expenditure forecast. Following reassessment of the replacement programme re-phasing of £357k to 2018/19 is expected.	1,464	17,500	27,174	600,000	646,138	357,326
Wherside Way drainage works	-	-	20,000	20,000	15,503	-	15,503	4,497	Works completed in September. The scheme was grant funded and the remaining balance will be repaid to the Environment Agency.	-	15,503	-	-	15,503	4,497
Withy Grove Park	250,000	-	-	250,000	-	183,897	183,897	66,103	The main phase of work is currently underway with expected completion by January 2018. Remainder of funds to be spent on a range of smaller projects which need to be progressed on completion of the main phase. Therefore £66k to be re-phased to 2018/19.	-	-	-	184,000	184,000	66,000
Worden Park - Refurbishment of vinehouse	58,000	13,906	-	71,906	50,819	23,837	74,656	(2,750)	Works underway and frame fabrication (offsite) now completed. Project completion expected by November 2017.	-	50,819	23,837	-	74,656	(2,750)

Scheme Name	Budgets and Actuals								Further details about the scheme and the financial position	Projections					
	(A)				(B)		(A - B)			(C)				(A - C)	
	Original Budget 2017/18	Approved Slippage b/f from 2016/17	In-year budget changes	Latest Budget 2017/18	Expenditure	Orders Raised	Total Committed Spend	Budget Remaining		Q1 (Actual)	Q2 (Actual)	Q3	Q4	Forecast Out-turn 2017/18	Projected Variance
Worden Park - Replacement conservatory / greenhouse	190,005	-		190,005	47,500	142,500	190,000	5	Due to the specialised and bespoke build programme of the enhanced specification the lead in time is much greater than initially forecast, taking up to 12 months. Contract awarded and design of new frame has started. Project completion expected September 2018. Therefore £142,505 to be re-phased to 2018/19.	-	47,500	-	-	47,500	142,505
Worden Park - Toilet facilities improvements	225,000	-		225,000	-	-	-	225,000	Planning applications and report currently deferred, awaiting Cabinet decision in relation to the provision of facilities.	-	-	-	225,000	225,000	-
<b>Neighbourhoods and Streetscene</b>	<b>2,131,182</b>	<b>71,694</b>	<b>20,000</b>	<b>2,222,876</b>	<b>204,006</b>	<b>387,069</b>	<b>591,075</b>	<b>1,631,801</b>		<b>19,266</b>	<b>184,740</b>	<b>109,418</b>	<b>1,192,173</b>	<b>1,505,597</b>	<b>717,279</b>
Feasibility & Surveys - Design and development	20,000	-		20,000	1,731	500	2,231	17,769	This budget is to allow schemes to be developed and early design work to take place. Therefore it is difficult to predict annual spend. £20k is a sensible amount which allows schemes to progress feasibility.	1,731	-	10,000	7,000	18,731	1,269
Bamber Bridge railway station	5,000	-		5,000	-	-	-	5,000	As part of the overall Bamber Bridge regeneration this scheme is to complete some improvements to the railway station with Friends Group, BAXI and local scouts with timings based around LCC's progress.	-	-	5,000	-	5,000	-
Cuerden Park visitor centre	-	3,500		3,500	-	-	-	3,500	The Council agreed to make a contribution of £7k towards refurbishment of the visitor centre, with £3,500 paid at the outset in 2015/16 and the remainder to be paid on completion of the work, which is expected in March 2018.	-	-	-	3,500	3,500	-
Bamber Bridge - Regeneration	80,000	127,313		207,313	126,496	34,290	160,786	46,527	Manufacture of planters, benches, bins, cycle parking and other street furniture is currently in progress. Installations for the first phase are complete. Second / final phase is delayed due to LCC changing timings for their works which are understood to be taking place in 2018.	20,396	106,100	34,290	45,710	206,496	817
Leyland - Gateway features	75,000	24,394		99,394	48,600	36,858	85,458	13,936	Procurement is being completed. Manufacture of the Horse and installation of base/mound will take place during summer/early autumn. Installation due w/c 16th Oct subject to weather & highways.	13,600	35,000	50,000	-	98,600	794
Leyland - Regeneration	285,000	-		285,000	-	-	-	285,000	A master planning exercise is now being undertaken under management of City Deal. On completion of this there will be consideration of future works programme for Leyland.	-	-	-	-	-	285,000
Leyland Loop	17,500	-		17,500	-	9,195	9,195	8,305	Works are already underway and will be completed in November.	-	-	15,000	-	15,000	2,500
Longton Village - Regeneration	7,000	11,393		18,393	409	-	409	17,985	Work on Longton village centre was completed in 2016-17. The remaining funds will be used coastal footpath work, which is being scoped.	409	-	-	17,985	18,393	-
Lostock Hall arts academy trail	7,000	-		7,000	-	-	-	7,000	This scheme is a complementary community project to the major works involving St. Catherine's Park. We are working with Lostock Hall Academy & St. Catherine's Hospice to improve use and fund raising.	-	-	2,000	5,000	7,000	-
McNamara Memorial	7,500	-		7,500	-	-	-	7,500	The scheme relates to WW1 memorial gardens in Bamber Bridge and the installation of a memorial stone provided by DCLG. Works are scheduled for completion in Autumn 2018 so the bulk of the budget will need to be re-phased.	-	-	-	2,000	2,000	5,500
Priory Park	12,000	-		12,000	-	-	-	12,000	Scoping project for coastal footpaths linked to Longton regeneration scheme. Works not expected until Summer 2018 and are dependent on scoping report. Therefore most of the budget will need to be re-phased.	-	-	-	1,000	1,000	11,000
Walmer Bridge Improvements	73,500	(26,838)		46,662	19,371	1,966	21,338	25,324	Main works are all complete. Bus shelters are being upgraded at present. Some trees were damaged and will be replaced in the Spring.	1,446	17,925	10,000	10,000	39,371	7,291
Lostock Hall Football Facility	150,000	-		150,000	-	-	-	150,000	An agreement with the club and partners is being completed to allow design work to occur prior to build. A forward programme has been agreed with the Football Club, subject to funding & permissions, with work to take place during the closed season of 2018. Therefore the majority of the budget needs to be re-phased.	-	-	-	5,000	5,000	145,000
Walton-le-dale Community Centre car park refurbishment	75,000	-		75,000	495	-	495	74,505	Authority to spend is required. Work is now expected to span financial years taking place Dec 2017 to Apr 18, subject to permissions.	-	495	-	20,000	20,495	54,505
<b>Regeneration, Leisure &amp; Healthy Communities</b>	<b>814,500</b>	<b>139,762</b>	<b>-</b>	<b>954,262</b>	<b>197,102</b>	<b>82,809</b>	<b>279,911</b>	<b>674,351</b>		<b>37,582</b>	<b>159,520</b>	<b>126,290</b>	<b>117,195</b>	<b>440,587</b>	<b>513,675</b>
Disabled Facilities Grants	585,875	178,475		764,350	146,728	176,210	322,937	441,413	As at 10th October 2017 the actual spend was £148,093.75, approved cases total £204,428.84, awaiting approval cases total £394,199.11 and new cases not opened total £54500.00. The total of all cases in progress is £746,721.70	51,131	95,597	265,000	352,000	763,728	622

Scheme Name	Budgets and Actuals								Further details about the scheme and the financial position	Projections					
	Original Budget 2017/18	Approved Slippage b/f from 2016/17	In-year budget changes	Latest Budget 2017/18	Expenditure	Orders Raised	Total Committed Spend	Budget Remaining		Q1 (Actual)	Q2 (Actual)	Q3	Q4	Forecast Out-turn 2017/18	Projected Variance
Empty Properties	32,000	15,487		47,487	-	-	-	47,487	We have written to 492 empty property owners to encourage applicants to come forward and take up the grant , There has been limited interest but we will continue to work with partners to target the assistance available, currently in progress are 6 units at £4500.00 per unit.	-	-	20,000	27,487	47,487	-
Private Sector home improvement grants	100,000	-		100,000	-	58,607	58,607	41,393	The scheme started in 2017-18 and to date we have approved 17 grants for excess cold and will continue to identify and inspect properties and where they qualify assistance will be provided in line with the policy.	-	-	50,000	50,000	100,000	-
CPO 30 Rhodesway	8,000	3,000		11,000	2,925	-	2,925	8,075	The CPO has been project-planned and the expenditure is based upon the schedule of activities / work undertaken by the external law firm.	2,925	-	3,000	5,075	11,000	-
<b>Strategic Planning and Housing</b>	<b>725,875</b>	<b>196,962</b>	<b>-</b>	<b>922,837</b>	<b>149,653</b>	<b>234,817</b>	<b>384,469</b>	<b>538,368</b>		<b>54,056</b>	<b>95,597</b>	<b>338,000</b>	<b>434,562</b>	<b>922,215</b>	<b>622</b>
Performance Reward Grant (PRG)	24,500	1,056		25,556	11,776	-	11,776	13,780	The costs associated with this scheme are 60% of the salary of the Partnership Manager.	5,895	5,881	5,880	5,880	23,536	2,020
<b>South Ribble Partnership (PRG)</b>	<b>24,500</b>	<b>1,056</b>	<b>-</b>	<b>25,556</b>	<b>11,776</b>	<b>-</b>	<b>11,776</b>	<b>13,780</b>		<b>5,895</b>	<b>5,881</b>	<b>5,880</b>	<b>5,880</b>	<b>23,536</b>	<b>2,020</b>
<b>Expenditure Total</b>	<b>4,404,522</b>	<b>427,948</b>	<b>20,000</b>	<b>4,852,470</b>	<b>746,906</b>	<b>878,945</b>	<b>1,625,851</b>	<b>3,226,619</b>		<b>246,250</b>	<b>500,657</b>	<b>836,979</b>	<b>1,793,813</b>	<b>3,377,698</b>	<b>1,474,772</b>
<b>% of Latest Budget</b>							<b>33.5%</b>	<b>66.5%</b>		<b>5.1%</b>	<b>10.3%</b>	<b>17.2%</b>	<b>37.0%</b>	<b>69.6%</b>	<b>30.4%</b>

REPORT TO	ON
<b>Governance Committee</b>	<b>29 November 2017</b>



TITLE	REPORT OF
<b>Closure of Annual Accounts 2017/18 Timetable</b>	<b>Interim Corporate Governance Manager</b>

Is this report confidential?	<b>No</b>
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## 1. PURPOSE OF THE REPORT

To advise Members that the deadline for the closure of accounts for 2017/18 will be the end of May in 2018 and that this had been brought forward in line with statutory government requirements as a way to provide clarity on the finance position of all the local authorities.

## 2. RECOMMENDATIONS

The Committee is requested to note that meetings of the Committee will be need to be held on 24 May 2018 and 26 July 2018 to meet the deadlines for the Closure of the Annual Accounts 2017/18.

## 3. CORPORATE PRIORITIES

The report relates to the following corporate priorities

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire		Efficient, effective and exceptional council	x

## 3. CLOSURE OF ACCOUNTS TIMETABLE 2017/18 TIMETABLE

- 3.1 The Accounts and Audit Regulations 2015 came into force on 1 April 2015 and contain provisions on financial management, annual accounts, internal control and audit procedures affecting all local authorities The main impact of the 2015 Regulations is that changes to the year- end closedown process and external audit arrangements will be required to enable the Council's audited accounts to be published 2 months earlier than they are currently. This deadline applies from 2017/18 onwards.
- 3.2 The 2015 regulations have brought forward significantly the timetable for the closure of Accounts, as follows:

- the Responsible Financial Officer (RFO) must certify the presentation of the accounts by 31 May, and the accounts will be open for public inspection from 1 June;
- the annual accounts (including Annual Governance Statement) must be published with the audit opinion and certificate, and before that must have been approved by members, by no later than 31 July; and
- the RFO must re-certify the presentation of the annual accounts before Member approval is given.

3.3 The 2015 Regulations require that the RFO must ensure that the period for the exercise of public rights includes the first 10 working days of June of the financial year immediately following the end of the financial year being reported. The period for the exercise of public rights (which will include rights of objection, inspection and questioning of the external auditor) may only be exercised within a 30 day period. During the period for the exercise of public rights the Council must make all relevant documents available for public inspection.

3.4 As a consequence of the new deadlines, meetings of the Governance Committee will need to be held on the following dates to deal with the requirements of the 2015 Regulations:

- Thursday 24 May 2018 – Draft Statement of Accounts 2017/18 and Draft Annual Governance Statement
- Thursday 26 July 2018 – Audited Statement of Accounts 2017/18 and Final Annual Governance Statement

3.5 Officers are currently preparing a draft calendar of meetings for 2018/19 and at the present time it is envisaged that meetings of this Committee will be held in November 2018, January 2019 and March 2019, following on from the meetings in May and July 2018. The Calendar will be submitted to Council for approval in due course.

## **4. WIDER IMPLICATIONS AND BACKGROUND DOCUMENTATION**

### **4.1 Comments of the Statutory Finance Officer**

Officers are working with the external auditors to plan for these changes and regular meetings are being scheduled with them. The closure timetable has been reviewed to ensure that the revised statutory deadlines can be met.

### **4.2 Comments of the Monitoring Officer**

The proposed change in the timetable is necessitated by changes introduced by statutory regulations. Clearly we must ensure that the annual accounts and Annual Governance Statement are published on time.

<p><b>Other implications:</b></p> <ul style="list-style-type: none"> <li>▶ <b>Risk</b></li> <li>▶ <b>Equality &amp; Diversity</b></li> <li>▶ <b>HR &amp; Organisational Development</b></li> <li>▶ <b>Property &amp; Asset Management</b></li> <li>▶ <b>ICT / Technology</b></li> </ul>	<p>Failure to meet the deadline for the closure of accounts would leave the Council open to challenge and criticism from the External Auditor.</p> <p>There are no equality implications arising from this report</p> <p>There are no HR &amp; Organisational Development implications arising from this report</p> <p>There are no Property &amp; Asset Management implications arising from this report</p> <p>There are no ICT / Technology implications arising from this report</p>
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## 5. BACKGROUND DOCUMENTS

There are no background papers to this report.

Caroline Elwood  
Interim Corporate Governance Committee

Report Author:	Telephone:	Date:
Steve Pearce	01772 62530	15/11/17

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REPORT TO	ON
GOVERNANCE COMMITTEE CABINET	29 <sup>th</sup> November 2017 6 <sup>th</sup> December 2017



September 2017

TITLE	PORTFOLIO	REPORT OF
Investment Property Strategy	Corporate Support & Assets	Director of Neighbourhoods, Environmental Health & Assets

Is this report a <b>KEY DECISION</b> (i.e. more than £100,000 or impacting on more than 2 Borough wards?)	<b>Yes</b>
Is this report on the <b>Statutory Cabinet Forward Plan</b> ?	<b>Yes</b>
Is the request outside the policy and budgetary framework and therefore subject to confirmation at full Council?	<b>No</b>
Is this report confidential?	<b>No</b>

## 1. PURPOSE OF THE REPORT

The purpose of this report is to agree and recommend the Investment Property Strategy and associated governance processes to Cabinet.

## 2. PORTFOLIO RECOMMENDATIONS

- 2.1 Members agree the Investment Property Strategy and the Governance arrangements outlined within this report.
- 2.2 Governance Committee recommend to Cabinet the adoption of the Investment Property Strategy and the appointment of the external Property Investment expertise at the end of the procurement process.

## 3. CORPORATE PRIORITIES

The report relates to the following corporate priorities:

Clean, green and safe		Strong and healthy communities	
Strong South Ribble in the heart of prosperous Lancashire	/	Efficient, effective and exceptional council	/

## 4. BACKGROUND TO THE REPORT

- 4.1 The Council has identified investment in property and assets as a source of income to support the delivery of the MTFs (Medium Term Financial Strategy). An income target of £300,000 has been established and a Borough Investment Fund of £3.824m has been created to fund this investment initially. Additional funding could be identified if other investment opportunities arise.

4.2 Governance Committee considered an interim report at its meeting on 13<sup>th</sup> September 2017 and agreed to consider the Investment Property Strategy at its November meeting. This report identifies governance arrangements, the use of commercial experts and their procurement.

## **5. PROPOSAL**

5.1 An Investment Property Strategy for South Ribble Council has been created and is attached at Appendix A. It sets out the context for investment in commercial property. Also it identifies a range of criteria that need to be considered for each investment and due diligence and governance arrangements to be followed.

5.2 A crucial part of the process is for the Council to engage professional property experts to identify and recommend opportunities and continued management of those investments. It is proposed to appoint a Property Investment Manager for two years. It will be in the form of an expert property consultancy firm. Their appointment will be to:

- Agree target rates of return and/or income target
- Agree Portfolio Balance
- Source Investment opportunities
- Prepare Recommendation Reports
- Rigorous Evaluation
- Reporting to SRBC
- Asset Management of Investments

5.3 It is intended to procure this expertise via the Crown Commercial Services Framework for Estates Professional Services. There are 12 national firms on this framework and a mini competition has commenced. It is likely that fees will be in two elements. Management fees of c£36,000 over the two years with commission on acquisitions up to £30,000 depending upon activity. If Members agree to proceed, the procurement process will be completed and an adviser selected.

## **6. GOVERNANCE**

6.1 The appointment of an expert Property Investment Management consultancy is crucial to the governance of this fund. The proposal recommended to Members identifies that ALL investment opportunities will come forward with a report from the Council's consultant. That will initially be agreed by the Council's Corporate Property Officer, Monitoring Officer and Section 151 Officer. It will then proceed for Cabinet approval and the decision recorded on the pro forma attached at Appendix A. No investment will be made ahead of Cabinet approval.

## **7. FINANCIAL IMPLICATIONS**

7.1 The Council has a target within the Medium Term Financial Strategy of £0.300m to achieve by converting one-off revenue reserve into a recurring income stream that is sustainable over the medium term. There is no fixed budget as this will very much depend on the Business Case for each investment and the financial risk exposure profile for the Council at the time of purchase. There is an initial set aside of £3.824m held within a revenue reserve which can be added to from other appropriate revenue sources for example, review of existing earmarked reserves and in year budget variations. The Council will also be able to borrowing additional funds if the whole life financial model demonstrates that this is affordable

## **8. HUMAN RESOURCES AND ORGANISATIONAL DEVELOPMENT IMPLICATIONS**

No direct impact

## **9. ICT/TECHNOLOGY IMPLICATIONS**

No direct impact

## **10. PROPERTY DIRECT IMPACT AND ASSET MANAGEMENT IMPLICATIONS**

The whole report and philosophy is about increasing the Council's portfolio and diversifying the property types.

## **11. RISK MANAGEMENT**

11.1 This investment strategy has been identified as a positive action to generate additional, sustainable income for the Council. However, there are potential risks associated with property investment. Rent income may not flow as originally envisaged and tenants may not have strong covenants. Equally the investment may fall in value but this is linked to rents and rent reviews. By adopting the broad strategy recommended and engaging comprehensive advice and investment expertise from the appointed Property Investment Manager, many of the risks will be avoided at the point of investment.

11.2 There is the risk that the assets will fall in value. This is unlikely with the due diligence processes identified in Strategy.

## **12. EQUALITY AND DIVERSITY IMPACT**

No direct impact

## **13. RELEVANT DIRECTORS RECOMMENDATIONS**

## **14. COMMENTS OF THE STATUTORY FINANCE OFFICER**

14.1 Asset investment must only proceed if all due diligence has been completed including a full life financial model that evidences the net return in cash terms and also is transparent with regard to future financial risk and how these will be mitigated. This will be provided as part of the assessment from our external Property Investment consultancy.

14.2 There will be costs associated with making these investments because the Council is procuring Property Investment expertise. The final amount will be known at the completion of the procurement process. These costs will be included within any financial model for each investment.

## **15. COMMENTS OF THE MONITORING OFFICER**

15.1 Many Local Authorities invest in property assets within their own boroughs. Besides generating an income stream the investment supports other wider priorities, including promoting and supporting economic growth.

15.2 Local Authorities have also successfully acquired commercial property outside of their area by virtue of Section 120 Local Government Act 1972. This is supported by section 1, 12 and 13 of the Local Government Act 2003, which vests in Local Authorities the power to borrow, invest and provide security for money borrowed and Section 1 of the Localism Act 2011, which provides a Local Authority with the power to do anything that individuals generally may do.

15.3 It should be noted that statutory guidance issued by the Department of Communities and Local Government, states that section 12 of the Local Government Act 2003 cannot be used to borrow to invest, solely to make a profit. As the Local Government Act 2003 is pre-existing legislation, any constraints on it cannot be remedied by relying on Section 1 of the Localism Act 2011. However, it is arguable that to borrow to invest outside a Local Authority

area is not purely to make profit where that income is used to provide and maintain services and support for residents, businesses and visitors to the borough.

15.4 In light of the above and where necessary, the appropriate legal advice will be sought to ensure the legality of any proposed transaction.

**16. BACKGROUND DOCUMENTS (or there are no background papers to this report)**

There are no background papers

**Appendix A                  Investment Property Strategy**

**Mark Gaffney**

**Director of Neighbourhoods, Environment & Asset Management**

Report Author:	Telephone:	Date:
Noel O'Neill	5361	14 <sup>th</sup> November 2017

# SOUTH RIBBLE BOROUGH COUNCIL INVESTMENT PROPERTY STRATEGY

November 2017



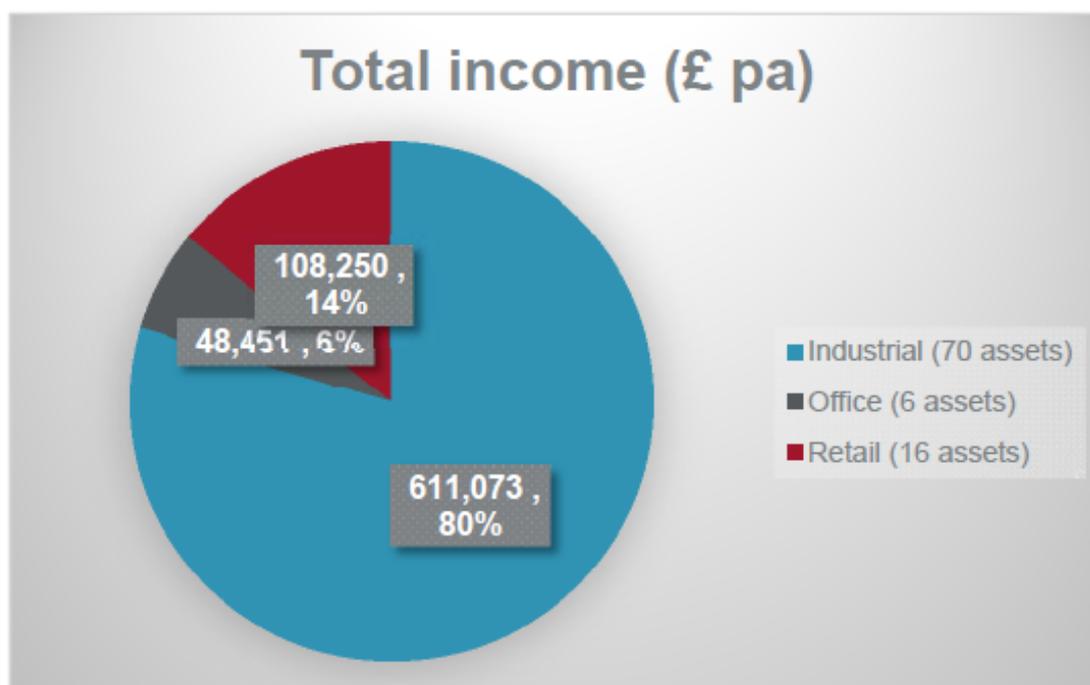
## Investment Property Strategy

### 1. Background

The Council has a commercial non-operational tenanted portfolio comprising of 92 assets generating a rent roll of £770,000 and valued at c £5.7m. This stock base is historic and comprises:

- 76 Industrial Units on 10 sites
- 16 retail units at 3 sites
- 3 offices on 2 sites

These units have been held historically and are located within 6 main residential and employment locations across the Borough. All these properties are fairly small in lot size but collectively provide significant rental income. Whilst the portfolio is managed in an efficient manner, it has not been constructed primarily with the aim of generating property investment income. Many of the leases are short term with an average lease of less than 3 years. This approach is not unusual within local authority historic asset base but brings with it a relatively high management cost with the turnover of leases. The graph below shows how the portfolio is heavily weighted towards the industrial sector in terms of assets and income. This is not surprising given the economic history of the Borough but any new investment should look to diversify the portfolio.



In considering the Medium Term Financial Strategy of the Council, Members looked at the returns made on investments within the Treasury Management Strategy at c0.6% per annum and looked at other potential investment returns. In the light of

returns made by the current portfolio, Members considered investing in wider property investments to realise better investment income. £3.8m was allocated for potential investments looking to realise up to £300,000 per annum which is an ambitious target.

## **2. Objectives**

There are 3 main objectives of this strategy.

### **a) Investments within the Central Lancashire Area**

The first phase will focus on the acquisition of property investments within the Borough and Central Lancashire Local plan area. This is to support the Council's ambition for growth in the area and help create renewed confidence and a positive message to other investors

### **b) Financial Return**

This strategy seeks to increase the proportion of the total income from investing in good quality commercial assets as a way of generating new revenue streams to the Council. These assets will be held primarily for investment value, and as a secondary measure, capital appreciation. The main consideration for doing this is to enable the Council to be more financially resilient and generate income which will support services and contribute to the General Fund.

This can be delivered by specifically targeting investment in purchasing good commercial properties which provide sustainable rental income, through a balanced strategy of acquisition, retention and management of good quality property investments, and also to benefit from long term growth in capital values

### **c) Strategic Asset Review**

All assets within the Commercial Portfolio will undergo a strategic review as part of an overarching Strategic Asset Review. All assets will be examined against how well they meet the objectives for holding those assets and the potential for development, capital receipt or potential income. Specifically with the Commercial Portfolio, the assets will be reviewed to look at how they could be developed to generate a stronger income stream, rationalised or sold. This work will identify both opportunities for investment and potential resources for further investment.

### **d) Performance Management**

It is proposed to introduce a suite of key performance management measures across the whole of the portfolio, including the existing historic stock so that we can understand the existing performance and return. This data will be set in context by our advisers.

### **3. Scope**

#### **a. Investment Value**

Initially £3.8m has been identified as available for investment. Any expansion of the investment will be assessed against the business cases for each investment. If a positive case is put forward and an opportunity generates the Council's objectives, further funding could be allocated. The Council also has a target to generate an additional £300,000 per annum from additional property income.

#### **b. Geographical location**

The first phase of the Strategy will be delivered by acquisition of commercial investments within the Borough and Central Lancashire Local Plan area. It has been suggested that the area needs to be expanded to the wider northwest or even nationally to ensure that South Ribble is exposed to "the best" assets and returns. However, there are already many local authorities in the northwest undertaking large portfolio investments and the Council may be exposed to weaker investments in the wider area. Initially this economic area should produce the right mix. If not, then the Council can review its position.

### **4. Strategy for existing commercial portfolio**

Whilst the main objective of the Strategy is focussed towards acquiring new commercial income producing properties, it is recognised that the historic commercial property portfolio also needs some restructuring and rebalancing to achieve a satisfactory spread of properties across a mix of retail (predominantly), offices, industrial/warehouse uses providing a reasonable return to the Council. There has been no consistent formal measurement of the return historically, as this has provided a steady year on year rental income without too much risk.

Although the risk within the portfolio is spread, the portfolio lacks good quality tenant covenants and the lot sizes are quite small. The strategy would involve enhancing the current portfolio income levels by disposing of lower yielding assets (unless there were other benefits from retention i.e. future redevelopment opportunities) and reinvesting in assets which would generate a higher return.

It is proposed that as a precursor to this step, and on-going, the Council should undertake more formal but simple performance monitoring measures of the current stock and income levels, to understand the existing performance and return. This would place a greater emphasis on the justification for holding these assets and give the Council an ability to measure their outputs. This may lead to a policy of being able to dispose of poor performing assets. It is proposed that capital receipts from any sale within the existing portfolio should ideally be ring-fenced to support the Property Investment Strategy on-going so there are funds to replace assets.

## **5. New Portfolio Structure**

In terms of the new commercial income producing assets, it is important to achieve a spread of risk by acquiring properties across a range of different property asset classes, namely retail, industrial, office and leisure. This is a fundamental objective of this new strategy.

It is proposed to try and obtain diversification and balance on investments by sector, so that there is no reliance on only one sector or type of tenant. This will minimise risk from downturns in specific sectors. Market sectors and locations with rental growth and good letting prospects will be targeted. In order to ensure a balanced portfolio investment should be targeted away from industrial units. The strategy needs to build in flexibility in the mix to reflect the opportunities available and being able to move sectors if this is considered prudent.

In an ideal balanced portfolio no asset class should comprise more than 50% of the portfolio income and each class should contribute at least 15% of the income. As the current portfolio is already 80% exposed to the industrial sector, investment should be stronger elsewhere. It is suggested that the focus is more on Leisure, Office and Retail rather than industrial. This would balance the portfolio and spread the risk.

HOWEVER, flexibility needs to be maintained and if a long term opportunity with a strong covenant came forward in the industrial sector, it needs to be analysed in that context.

### **a) Single use/Multi let investments**

Ideally the Council will be looking for a single use tenant per investment to reduce management resource.

However, mixed use investments would also be potentially suitable additions to the portfolio, and in these cases the Council will be seeking a higher yield as compensation for additional management resource. The Council will need to consider the management arrangement and cost. These may include a mix of commercial uses and residential, or a mixture of retail and office use. In terms of residential accommodation this is likely to be more management intensive than other types of commercial property investment and requires specialist residential management expertise, so it is proposed that residential acquisitions will only be part of this strategy if they are part of a mixed use investment, where the residential element is quite small. Residential investment per se is excluded from this strategy.

### **b) Lot Sizes**

The Council owns many low value, management intensive assets. The average income across the commercial portfolio is £8,345 pa per property, and

approximately 25% of all properties have an annual income of less than £5,000. The strategic review suggests that a sensible target would be lot sizes in excess of £1m. The benefits to the portfolio would be improved covenant mix, reduced risk exposure and lower management costs. This also represents the simplest way of growing the Council's income stream quickly. Flexibility is required in case the right deal comes along in one particular sector which may suit the Council's requirements. The principle of not having all your eggs in one basket to mitigate risk still applies.

**c) Locations**

As part of the first phase of this Strategy, the Council intend to purchase property investments within the Central Lancashire area. The objectives of this strategy are clearly identified under section 2 above. The area is an economic growth area and offers opportunities across all the sectors. There should be sufficient opportunities to find suitable investment opportunities.

**6. Investment Property Criteria**

**a) Type of investment**

Investments will include freehold and long leasehold interest acquisitions of properties, subject to a lease.

**b) Yield**

The target net annual yield range is anticipated between 5%-8%. The lower yield will manifest in improved quality assets and longer tenure. Investments should also be required to provide income equal to at least two percent above the Council's required rate of return, defined by the cost of borrowing (as at the 2<sup>nd</sup> October, Public Works Loan Board rate is 2.5% over 25 years). 5% will provide a margin above this level at this moment in time.

The yield will also reflect the risk on the investment. At the lower level, 5%, the investment is likely to be a reasonably safe with a single use tenant occupying under a secure tenancy. At the higher yield, 8%, there is likely to be a greater number of tenants with more risk of tenant/s default, and greater risk of void periods.

**c) Location**

Good prime locations will be sought. Consideration will be given to whether a tenant could be found in the event of default. This will be dictated by opportunity to acquire investments.

**d) Building Specification quality**

The strategic review recommended that the Council place an emphasis on quality in seeking new investment opportunities. There will always be a demand for lower cost, lower grade space, but investing in higher quality stock going forward will provide greater long term protection against obsolescence (both functional and physical), tenant churn and costs. SRBC also needs to focus strategically on improving the quality of its asset base in order to manage risk and facilitate a transition to a more resilient or “future-proofed” property portfolio in the context of new property development expected to be facilitated in the coming years by City Deal investment. Future acquisitions should therefore be considered with the aim of improving the quality within the portfolio.

**e) Length of lease unexpired**

An important measure of income risk is the **weighted average unexpired lease term (WAULT)**. This metric is often used by investors to measure the risk of a multi-tenanted property going vacant and, typically, the longer the WAULT the more stable the income and therefore the more attractive the investment. There is a correlation between length of lease and yield. Also, properties with shorter WAULT will face higher costs in terms of leasing agent fees, advertising fees and legal fees.

The WAULT on the current portfolio is 2.1 years which is unsurprising with the focus on small industrial units. Therefore to diversify, ideally only leases with a minimum unexpired term of five years will be considered. Our preference is for leases closer to ten years, but we have lowered the expectation here to widen the market for investment opportunities given the target yield (5%).

**f) Financial strength of tenants**

The covenant strength of the tenant should be as a minimum good. This will be determined through financial appraisal of company accounts and the use of appropriate methods of risk assessment and credit scoring. This should be provided on the initial check.

**g) Rental levels**

The current market rent shall be equal to or above the passing rent. The income should be secure reflecting tenant strength and on-going.

**h) Management Issues**

Management issues in relation to the investment should be minimal.

**i) Use – Existing and Alternative**

Consideration will also be given in each case to the alternative use for the property, i.e. development potential and its exit value. This will be considered

as a bonus if residential development is an alternative possibility. However this will not be a primary factor in the decision.

**N.B.** These criteria will be reviewed regularly and changed with Member approval as the market conditions change.

## **7. Financial Appraisal**

A financial appraisal will be prepared for each potential investment by the Council's external **Investment Adviser**. This report will look at and consider the criteria listed above and how that potential investment meets those criteria. Attached at appendix A is a summary proforma that will support any proposal.

## **8. Approval Process**

The appraisal of any potential investment will be reviewed in the first instance by the Council's Corporate Property Officer, Section 151 Officer and Monitoring Officer. The report will then be presented **to Cabinet for approval to proceed**.

## **9. Due diligence checks**

As part of the physical appraisal, due diligence checks will be undertaken prior to purchase to include financial checks, and physical condition checks including building surveys and measured survey (if necessary). The property will be assessed in terms of the condition visually. A Building Condition survey will be undertaken. Legal title checks will be undertaken prior to purchase, and good clean title will be sought.

There will be no requirement for full structural mechanical and electrical surveys unless there is cause for concern as to the condition

## **10. Continual appraisal**

The portfolio will be open to continual appraisal (including consideration of the tenant status and management issues), and on-going financial performance measurement. This will help in future decision making in terms of whether to sell or hold the investment in order to minimise risk.

## **11. Management of new assets**

The Council already has in place an Estates team which manages the current non-operational property portfolio and would, unless geographical location would limit its ability, be able to manage a larger property portfolio to include the investment portfolio.

**Appendix A**

<b>Property Investment Strategy Acquisition</b>		
<b>Approvals</b>	<b>Cabinet</b>  <b>Date of Meeting:</b>	Corporate Property Officer Yes/No Date of consultation:
		Monitoring Officer Yes/No Date of consultation :
		Section 151 Officer Yes/No Date of consultation :
<b>Details of the Proposal</b>		
Property Description including floor area		
Age		
Portfolio Area	Retail / Industrial / Offices / Leisure	
Single use tenant	Yes / No	
Multi let building	Yes / No If yes, how many tenants?	
<b>Asking price</b>		
<b>Location</b>		
Type of investment	Long leasehold / Freehold  If Long leasehold, how long is the lease? _____	
Yield	% Gross (Target financial yield %)	
Location	Prime location / Secondary / Tertiary	
Tenant Details		

Length of lease unexpired		
Financial strength of tenant	<p>Covenant strength:      Good/Poor</p> <p>Credit score :</p> <p>If more than one tenant: Covenant strength and credit score for all</p>	
Lease terms	Tenant break option	
	Rent review pattern	
	Upward only review or RPI/CPI uplift?	
Rent per annum	£	
Use – existing		
Use – alternative		
Management arrangements		
Does this purchase comply with the Strategy?		
Due diligence checks proposed	<p>Red book valuation:              Date:      Who:</p> <p>Physical condition checks:</p> <p>Internal visual check:      Yes / No      Date:              Who:</p> <p>External Building survey: Yes / No      Date:              Who:</p> <p>Full structural mechanical &amp; electrical survey required: Yes / No</p> <p>Date :                              Who:</p> <p>Legal title checks – good clean title required:</p>	
Proposed holding period		
Attachments	Property Particulars	
	Copy of the initial Desk top valuation	
	Financial Appraisal	

**Signed:**

**Investment Manager External Adviser**