



## **OVERVIEW AND SCRUTINY COMMITTEE**

Thursday 25 January 2018 at 6.30 pm

Council Chamber, Ryedale House, Malton

### **Agenda**

**1 Emergency Evacuation Procedure.**

The Chairman to inform Members of the Public of the emergency evacuation procedure.

**2 Apologies for absence**

**3 Minutes of the meeting held on the 2 November 2017**

(Pages 3 - 6)

**4 Urgent Business**

To receive notice of any urgent business which the Chairman considers should be dealt with at the meeting as a matter of urgency by virtue of Section 100B(4)(b) of the Local Government Act 1972.

**5 Declarations of Interest**

Members to indicate whether they will be declaring any interests under the Code of Conduct.

Members making a declaration of interest at a meeting of a Committee or Council are required to disclose the existence and nature of that interest. This requirement is not discharged by merely declaring a personal interest without further explanation.

### **AUDIT COMMITTEE ITEMS**

**6 KPMG Certification of Grant Claim - annual report**

(Pages 7 - 10)

**7 KPMG Audit Plan**

(Pages 11 - 34)

- |           |  |                 |
|-----------|--|-----------------|
| <b>8</b>  | <b>KPMG Technical Update</b>                                   | (Pages 35 - 52) |
| <b>9</b>  | <b>Internal Audit Progress Report</b>                          | (Pages 53 - 68) |
| <b>10</b> | <b>Annual Governance Statement Action Plan Progress Report</b> | (Pages 69 - 72) |
| <b>11</b> | <b>Treasury Management and Investment Strategy</b>             | (Pages 73 - 98) |

**SCRUTINY COMMITTEE ITEMS**

- |           |  |                   |
|-----------|--|-------------------|
| <b>12</b> | <b>Minutes of the meeting held on the 5 October 2017</b>   | (Pages 99 - 102)  |
| <b>13</b> | <b>Council Performance</b>   | (Pages 103 - 120) |
| <b>14</b> | <b>Customer Complaints Q3 2017/18</b>  | (Pages 121 - 126) |
| <b>15</b> | <b>Update on the Scarborough and Ryedale Clinical Commissioning Group (CCG)<br/>Procurement for Integrated Community Care</b><br>Verbal update from the Chair of Overview and Scrutiny |                   |
| <b>16</b> | <b>Decisions from other Committees</b>   |                   |
| <b>17</b> | <b>Scrutiny Review Progress Report</b>   | (Pages 127 - 136) |
| <b>18</b> | <b>Any other business that the Chairman decides is urgent.</b>   |                   |

## Overview and Scrutiny Committee

---

Held at Council Chamber, Ryedale House, Malton  
on Thursday 2 November 2017

### Present

---

Councillors Acomb (Vice-Chairman), Clark (Chairman), Duncan, Frank, Gardiner,  
Di Keal and Thornton

### In Attendance

---

Will Baines, Beckie Bennett, Stuart Cutts and Jonathan Dodsworth (Veritau)  
Councillor Cowling and Councillor Potter

### Minutes

---

#### 51      **Apologies for absence**

Apologies for absence were received from Cllr Cussons and Cllr Sanderson.

#### 52      **Minutes of the Meeting held on the 20 September 2017**

Decision
That the minutes of the meeting of the Overview and Scrutiny Committee held on 20 September 2017 be approved and signed by the Chairman as a correct record.

#### 53      **Urgent Business**

Under urgent business, the draft terms of reference for the Scrutiny Review into the provision of swimming lessons in Ryedale District Councils Swimming Pools were presented for approval.

Decision
That the draft Terms of Reference for the scrutiny review into the provision of swimming lessons in Ryedale District Councils Swimming Pools be approved.

#### Voting Record

7 For

0 Against

0 Abstentions

#### 54      **Declarations of Interest**

There were no declarations of interest.

#### 55      **Treasury Management Mid-Year Review**

Considered – Report of the Report of the Resources and Enabling Services Lead (s151).

**Recommendation to Council**

That Council is recommended to agree the recommendations within the report.

Voting Record

7 For

0 Against

0 Abstentions

**56 Annual Audit Letter 2016/17**

Considered.

**Decision**

That the Annual Audit Letter 2016/17 be noted

Voting Record

7 For

0 Against

0 Abstentions

**57 Internal Audit and Counter Fraud First Progress Report 2017/18**

Considered – Report of the Resources and Enabling Services Lead (s151).

**Decision**

That the Committee note the results of the work undertaken as part of the 2017/18 internal audit and counter fraud plan.

Voting Record

7 For

0 Against

0 Abstentions

**58 Corporate Risk Register**

Considered – Report of the Resources and Enabling Services Lead (s151).

**Decision**

That an update on Affordable Housing be brought to the February 2018 meeting, to include analysis of the definition, target, need and possible actions required.

Voting Record

7 For

0 Against

0 Abstentions

59 **Any other business that the Chairman decides is urgent.**

There being no other business, the meeting closed at 7:45pm.

This page is intentionally left blank



**KPMG LLP**  
**Infrastructure, Government & Healthcare**  
1 Sovereign Square  
Sovereign Street  
Leeds LS1 4DA  
United Kingdom

Tel +44 (0) 113 231 3000  
Fax +44 (0) 113 231 3200

**Private & confidential**

Peter Johnson  
Ryedale House  
Old Malton Road  
Malton  
North Yorkshire  
YO17 7HH

Our ref RDC/RK/EK

Contact Emma Kirkby  
Manager

15<sup>th</sup> January 2018

Dear Peter,

**Ryedale District Council - Certification of claims and returns - annual report 2016/17**

Public Sector Audit Appointments requires its external auditors to prepare an annual report on the claims and returns certified for each audited body. This letter is our annual report for the certification work we have undertaken for 2016/17.

In 2016/17 we carried out certification work on only one claim/return, the Housing Benefit Subsidy claim. The certified value of the claim was £10,662,679 and we completed our work and certified the claim on 27<sup>th</sup> November 2017.

**Matters arising**

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Our work did not identify any issues or errors and we certified the claim unqualified with one amendment.

Consequently we have made no recommendations to the Council to improve its claims completion process. There were no recommendations made last year and there are no further matters to report to you regarding our certification work.

In our 2015/16 Certification Annual Report we raised one observation relating to underpayment of benefit as a result of the Authority not amending records for a reported increase in annual rent liability for a regulated tenancy.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment did not affect subsidy and was not, therefore, classified as an error for subsidy purposes. Consequently we made no recommendations to the Council to improve its claims completion process in 2015/16.

#### **Certification work fees**

Public Sector Audit Appointments set an indicative fee for our certification work in 2016/17 of £12,150. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £11,484.

Yours sincerely



Rashpal Khangura  
Engagement Lead

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

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

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

This page is intentionally left blank



# External Audit Plan 2017/2018

**Ryedale District  
Council**

—

08 January 2018

# Summary for Audit Committee

---

## Financial statements

There are no significant changes to the Code of Practice on Local Authority Accounting ("the Code") in 2017/18, which provides stability in terms of the accounting standards the Authority need to comply with. Despite this, the deadline for the production and signing of the financial statements has been significantly advanced in comparison to year ended 31 March 2017. This represents a significant change for the Authority and will need to be carefully managed in order to ensure the new deadlines are met. As a result we have recognised a significant risk in relation to this matter. In order to meet the revised deadlines it will be essential that the draft financial statements and all prepared by client documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

## Materiality

Materiality for planning purposes has been set at **£0.4 million**.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance and this has been set at **£20,000**.

## Significant risks

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

- **Valuation of PPE** – Whilst the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated;
- **Pension Liabilities** – The valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes in place to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation.
- **Faster Close** – As set out above, the timetable for the production of the financial statements has been significantly advanced with draft accounts having to be prepared by 31 May (2017: 30 June) and the final accounts signed by 31 July (2017: 30 September). We will work with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and the impact on our work;

**See pages 5 to 11 for more details**

---

# Summary for Audit Committee (cont.)

---

## Value for Money Arrangements work

Our risk assessment is ongoing and we will report VFM significant risks during our audit.

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

---

## Logistics

Our team is:

- Rashpal Khangura – Director
- Emma Kirkby – Manager
- Karin Hahn – Assistant manager

More details are in **Appendix 2**.

Our work will be completed in four phases from December to July and our key deliverables are this Audit Plan, and a Report to Those Charged With Governance as outlined on **page 19**.

Our fee for the 2017/18 audit is £41,826 (£41,826 2016/2017) see **page 17**. This is in line with the scale fees published by PSAA (£41,826). All changes in fees are subject to approval by PSAA.

---

## Acknowledgements

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

---

# Introduction

## Background and Statutory responsibilities

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

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

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

- 01 | **Financial statements :**  
Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and
- 02 | **Use of resources:**  
Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

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

## Financial Statements Audit

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



## Value for Money Arrangements Work

Our Value for Money (VFM) Arrangements Work follows a five stage process which is identified below. Page 11 provides more detail on the activities that this includes. This report concentrates on explaining the VFM approach for 2017/18.



# Financial statements audit planning

## Financial Statements Audit Planning

Our planning work takes place during December 2017 to January 2018. This involves the following key aspects:

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

## Risk assessment

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

01

### Management override of controls

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

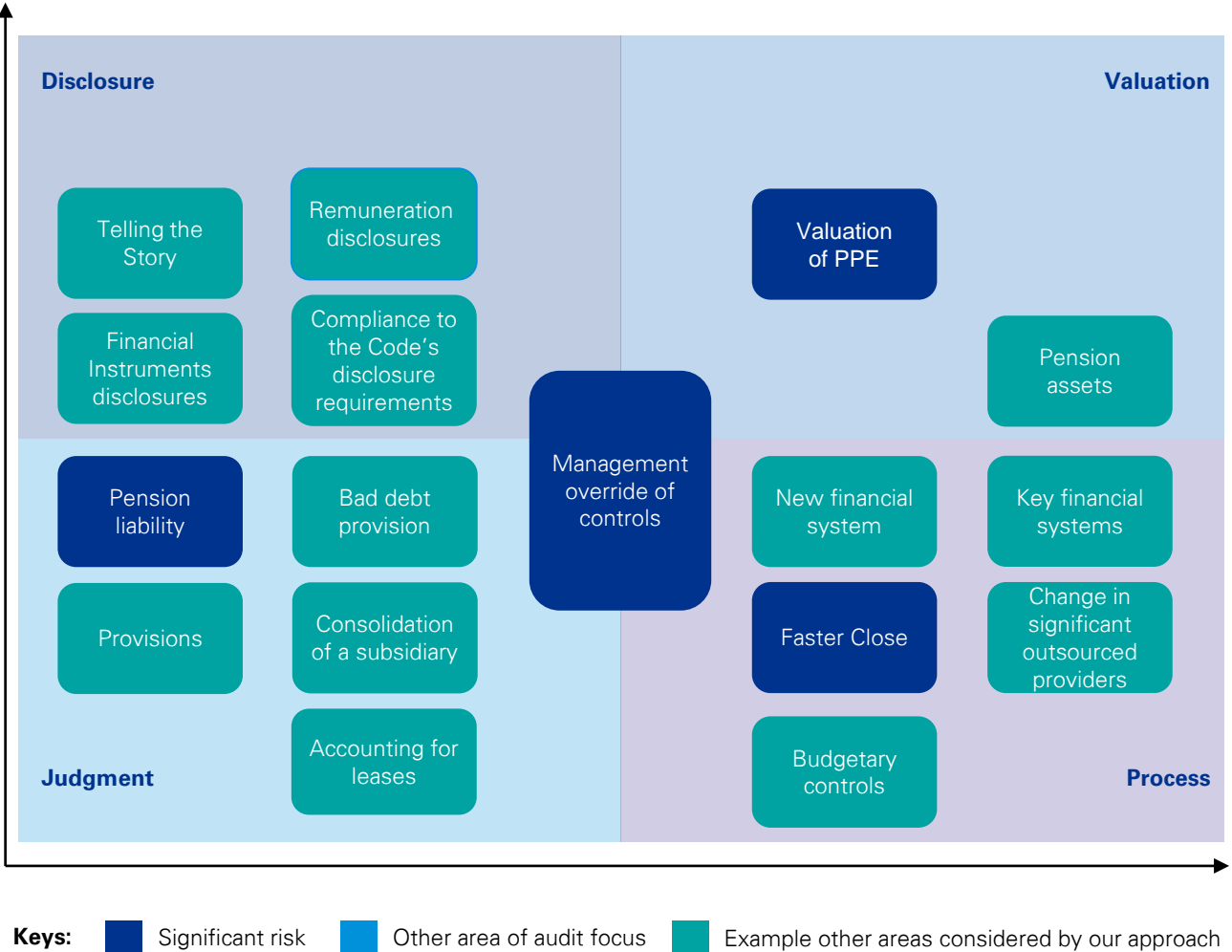
02

### Fraudulent revenue recognition

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

# Financial statements audit planning (cont.)

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



# Financial statements audit planning (cont.)

## Significant Audit Risks

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

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

# Financial statements audit planning (cont.)

## Significant Audit Risks (cont.)

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

# Financial statements audit planning (cont.)

## Significant Audit Risks (cont.)

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

# Financial statements audit planning (cont.)

## Materiality

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

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

For the Authority, materiality for planning purposes has been set at £.4 million for the Authority's accounts which equates to 1.7 percent of gross expenditure.

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



# Financial statements audit planning (cont.)

## Reporting to the Audit Committee

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

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

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £20,000.

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

### We will report:



Non-Trivial  
corrected audit  
misstatements



Non-trivial  
uncorrected audit  
misstatements



Errors and omissions in disclosure  
(Corrected and uncorrected)

# Value for money arrangements work

## VFM audit approach

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

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

## Overall criterion

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

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



# Value for money arrangements work (cont.)

## Value for Money sub-criterion

### Informed decision making

Proper arrangements:

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

### Sustainable resource deployment

Proper arrangements:

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

### Working with partners and third parties

Proper arrangements:

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

# Value for money arrangements work (cont.)

## VFM audit stage



### VFM audit risk assessment

#### Audit approach

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

In doing so we consider:

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



### Linkages with financial statements and other audit work

#### Audit approach

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

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



### Identification of significant risks

#### Audit approach

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

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

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

# Value for money arrangements work (cont.)

## VFM audit stage



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

#### Audit approach

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

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

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

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



### Concluding on VFM arrangements

#### Audit approach

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

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



### Reporting

#### Audit approach

Our risk assessment is ongoing and we will report VFM significant risks during our audit.

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

If considered appropriate, we may produce a separate report on the VFM audit, either overall or for any specific reviews that we may undertake.

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

# Value for money arrangements work (cont.)

## Significant VFM Risks

Our risk assessment is ongoing and we will report VFM significant risks during our audit.

# Other matters

## Whole of government accounts (WGA)

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

## Elector challenge

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

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

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

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



# Other matters

## Reporting and communication

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

## Independence and Objectivity

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

## Audit fee

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

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

The planned audit fee for 2017/18 is £41,826, compared to 2016/2017 of £41,826.

Appendix 1:

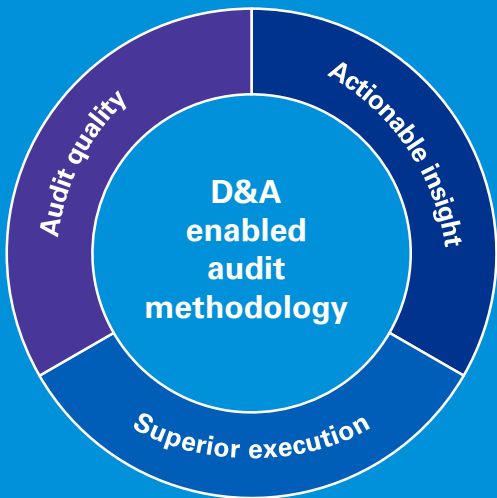
# Key elements of our financial statements audit approach

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

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

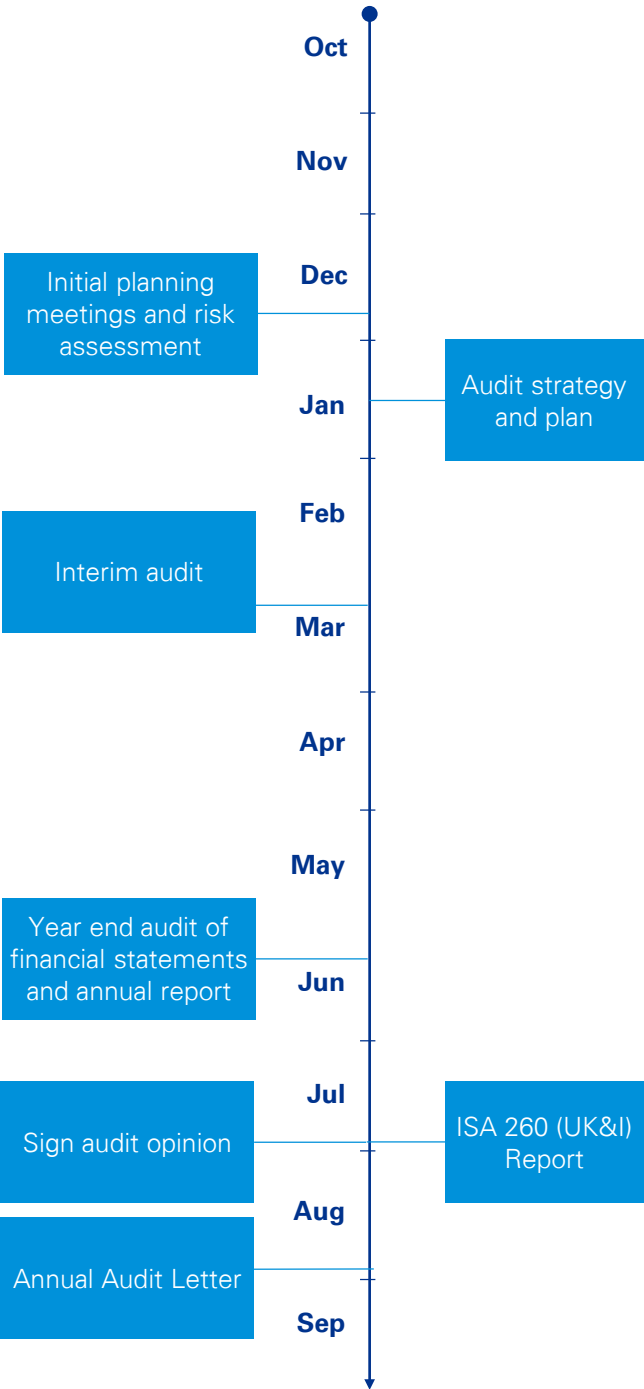
- Obtain greater understanding of your processes, to automatically extract control configurations and to obtain higher levels assurance.
- Focus manual procedures on key areas of risk and on transactional exceptions.
- Identify data patterns and the root cause of issues to increase forward-looking insight.

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



**Communication**

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



## Appendix 1:

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

### Audit workflow

#### Planning

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

#### Control evaluation

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

#### Substantive testing

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

#### Completion

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

Appendix 2:

Audit team

Your audit team has been drawn from our specialist public sector assurance department. Our audit team were not all part of the Ryedale District Council audit last year, with Emma Kirkby taking on the role of Engagement Manager and Karin Hahn taking on the role of Assistant Manager.



**Rashpal Khangura**  
Director

T: +44 (0) 7876 392195  
E: Rashpal.Khangura@kpmg.co.uk

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



**Emma Kirkby**  
Manager

T: +44 (0) 7468 365290  
E: Emma.Kirkby@kpmg.co.uk

‘I provide quality assurance for the audit work and specifically any technical accounting and risk areas. I will work closely with Rashpal to ensure we add value. I will liaise with the Resources and Enabling Service Lead Officer and other Executive Directors.’



**Karin Hahn**  
Assistant Manager

T: +44 (0) 7557 860924  
E: Karin.Hahn@kpmg.co.uk

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

## Appendix 3:

# Independence and objectivity requirements

### ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF RYEDALE DISTRICT COUNCIL.

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

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

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

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

#### General procedures to safeguard independence and objectivity

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

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

The conclusion of the audit engagement leader as to our compliance with the FRC Ethical Standard in relation to this audit engagement is subject to review by an engagement quality control reviewer, who is a Audit Director not otherwise involved in your affairs.

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

## Appendix 3:

# Independence and objectivity requirements (cont.)

### Confirmation of audit independence

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

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

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

**KPMG LLP**



**kpmg.com/uk**



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

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

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

© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

CREATE: CRT086281A



# Technical update

Incorporating the External Audit Progress Report

Ryedale District Council

January 2018

# Contents





The contacts at KPMG in connection with this report are:		Page
<b>Rashpal Khangura</b> Director <b>KPMG LLP (UK)</b> T: +44 (0) 7876 392195 E: Rashpal.Khangura@kpmg.co.uk	<b>External audit progress report</b>	3
	<b>KPMG resources</b>	5
	<b>Technical developments</b>	7
	<b>Appendices</b>	
<b>Emma Kirkby</b> Manager <b>KPMG LLP (UK)</b> T: +44 (0) 7468 365290 E: Emma.Kirkby@kpmg.co.uk	1. 2017/18 audit deliverables	16

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

-  High impact
-  Medium impact
-  Low impact
-  For information



# External audit progress report

# External audit progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Area of responsibility	Commentary
Financial statements	<p>We have completed our initial detailed audit planning for 2017/18 and have issued our Audit Plan, presented to the Audit Committee in January 2018. Should there be any issues requiring us to change our audit plan we will discuss this with the Resources and Enabling Service Lead in the first instance and subsequently report these matters to the Audit Committee.</p> <p>Our detailed work on the financial statements commences in late February 2018 when we will carry out our work on your financial systems and controls.</p>
Value for Money	<p>Our VFM risk assessment for 2017/18 is ongoing and we will report VFM significant risks during our audit. Our 2017/18 approach to Value for Money work is being guided by the National Audit Office. The approach is fundamentally unchanged from that adopted in 2016/17.</p>
Certification of claims and returns	<p>We completed our 2016/17 work and have issued our Annual Report on the Certification of Claims and Returns in January 2018.</p> <p>In 2017/18 PSAA have again made arrangements us to certify the Housing Benefit Subsidy return. We will commence our work once the annual claim is submitted at the end of May, and will provide our certificate by the end of November 2018.</p>



# KPMG Resources

# How to build a business case

A sound business case is a foundation to effective investment decisions. It is crucial for making the right investment decisions. As the pressure on local authority finances continues the role of major investment and transformation decisions will become more critical to delivering a sustainable future. Robust business cases are vital to ensuring that investment choices have the best chance of delivering success.

Through KPMG's work with over 100 public sector bodies we have produced a practical guide to preparing robust and proportionate business cases to support both routine and strategic investment decisions.

The report covers:

- The role of the business case
- How to achieve consistent quality

Getting the balance right in the content of the business case

Achieving objectivity

The business case framework

A guide to local government business cases, including the requirements for good business cases, split into 11 elements.

The full report can be accessed here: <https://home.kpmg.com/uk/en/home/insights/2017/12/local-government-how-to-build-a-business-case.html?hootPostID=ad392ed3a21657cc96c79dbd6eb73134>



# Technical developments

# Auditor Guidance Note 1 (AGN 01) – General Guidance

Level of impact: ● (for action)	KPMG Perspective
<p>The Comptroller and Auditor General (C&amp;AG) has issued a revised version of Auditor Guidance Note 1 (AGN 01).</p> <p>AGN 01 provides general guidance to auditors of local bodies, and sets out the overall framework for issuing guidance and for providing other support to local auditors. It includes relevant ethical requirements which those charged with governance may wish to be aware of.</p> <p>A copy of AGN 01 can be accessed from the NAO website, guidance and information for auditors page, at the following link: <a href="https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Auditor-Guidance-Note-01-General-Guidance-Supporting-Local-Audit.pdf">https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Auditor-Guidance-Note-01-General-Guidance-Supporting-Local-Audit.pdf</a></p>	<p>Those charged with governance will wish to be aware of the requirements of the FRC’s ethical standard and the supplementary and explanatory guidance set out in AGN 01.</p>

# Auditor Guidance Note 7 (AGN 07) – Auditor Reporting

Level of impact: ● (for action)	KPMG Perspective
<p>The Comptroller and Auditor General (C&amp;AG) has issued an update version of Auditor Guidance Note 7 (AGN 07).</p> <p>AGN 07 is relevant to all bodies covered by the Local Audit and Accountability Act 2014 (the Act) and the Code of Audit Practice (the Code).</p> <p>The changes include revisions to clarify the guidance relating to:</p> <ul style="list-style-type: none"> <li>• Reporting to those charged with governance, which needs to cover the range of audit responsibilities under the Code including auditor judgements on significant risks in respect of arrangement to secure value for money</li> <li>• In specified circumstances, enhanced reporting requirements under ISA (UK) 700, including the reporting of key audit matters under ISA (UK) 701</li> <li>• Reporting considerations in relation to material uncertainty in respect of going concern</li> <li>• Considering when to issue the annual audit letter, including in situations where work remains outstanding, for example, on Whole of Government Accounts returns; and</li> <li>• Part-year reporting requirements.</li> </ul> <p>A copy of AGN 07 can be accessed from the NAO website, guidance and information for auditors page, at the following link: <a href="https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Auditor-Guidance-Note-07-Auditor-Reporting-1.pdf">https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Auditor-Guidance-Note-07-Auditor-Reporting-1.pdf</a></p>	<p>Those charged with governance will wish to be aware of the reporting requirements of the Local Audit and Accountability Act 2014.</p>

# DCLG FAQ on MRP and Investment Code guidance

Level of impact: ● (For Action)	KPMG Perspective
<p>The Department for Communities and Local Government (DCLG) has issued its FAW on the Minimum Revenue Provision (MRP) and Investment Code guidance consultations. The consultation on the proposed changes closed on 22<sup>nd</sup> December 2017, and changes will be made after the analysis of consultation responses.</p> <p>The FAQ includes common queries from local authorities, and covers the following:</p> <ul style="list-style-type: none"> <li>• Clarification what the section on borrowing in advance of need means</li> <li>• Whether the proposals on MRP mean that local authorities no longer have the flexibility to decide what is prudent provision for debt</li> <li>• Whether local authorities should apply the current or the proposed Codes whilst making decisions during the consultation period</li> <li>• If the changes to the MRP guidance will be applied prospectively or retrospectively.</li> </ul> <p>The full FAQ can be found at the following link:  <a href="https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance/prudential-framework-of-capital-finance-qa">https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance/prudential-framework-of-capital-finance-qa</a></p>	<p>Members may wish to discuss with officers what, if any, is the potential impact of the consultations.</p>

# CIPFA/LASAAC statement on the adoption of IFRS 9 Financial Instruments

**Level of impact:** ● (For Information)

Members may wish to be aware that the Chartered Institute of Public Finance and Accountancy Local Authority Code Board (CIPFA LASAAC) has published a statement on the adoption of IFRS 9 Financial Instruments.

IFRS 9 will be adopted in the 2018/19 local government accounting code.

Members may wish to consider the effect of the adoption of IFRS 9 on the financial statements for 2018/19.

# PSAA's consultation on 2018-19 scale of fees for opted-in bodies

**Level of impact:** ● (For Information)

Public Sector Audit Appointments (PSAA) has published its consultation on the 2018-19 scale of fees for principal local government and police bodies that have opted into the appointing person arrangements.

The consultation is available on the PSAA website at: <https://www.psaa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/>

The consultation proposes that scale audit fees for 2018-19 should reduce by 23 per cent, compared to the fees applicable for 2017-18. More details on the proposals are set out in the consultation document.

Proposed 2018-19 scale fees for individual opted-in bodies, based on the 23 per cent reduction, are listed on the website and are accessible through the following links:

- Local government: <https://www.psaa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/proposed-individual-scale-fees-for-local-government-bodies/>
- Local police bodies: <https://www.psaa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/proposed-individual-scale-fees-for-police-bodies/>
- Pension fund audits: <https://www.psaa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/proposed-individual-scale-fees-for-pension-funds/>

# Investigation into the governance of Greater Cambridge Greater Peterborough Local Enterprise Partnership

### Level of impact: ● (For Information)

The NAO has conducted an investigation into the governance of Greater Cambridge Greater Peterborough Local Enterprise Partnership. The investigation was prompted by concerns raised about the Partnership.

The role of Local Enterprise Partnerships (LEPs) continues to grow, and it may be noted that government has given LEPs a key role in the recently published Industrial Strategy to lead the development of Local Industrial Strategies.

Information on the UK's Industrial Strategy can be found at the following link: <https://www.gov.uk/government/topical-events/the-uks-industrial-strategy>

The Department for Communities and Local Government (DCLG) carried out a national review of LEP governance and transparency. The review made a number of recommendations for improvement.

The review, published on 26 October 2017, with the aim of providing sufficient assurance to the Accounting Officer's and ministers that LEPs fully implement existing requirements for appropriate governance and transparency.

A full copy of the report can be found at the following link: <https://www.gov.uk/government/publications/review-of-local-enterprise-partnership-governance-and-transparency>

# PSAA's report on the results of auditors' work 2016-17

**Level of impact:** ● (For Information)

Public Sector Audit Appointments Ltd (PSAA) published its Report on the results of auditors' work 2016/17: Local government bodies on Tuesday 19<sup>th</sup> December.

This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016-17. The report covers the timeliness and quality of financial reporting, auditors' local value for money arrangements work, and the extent to which auditors used their statutory reporting powers.

The timeliness and quality of financial reporting for 2016-17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies.

Compared with 2015-16, the number of principal bodies receiving an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on the accounts by the end of July compared with 49 (10 per cent) for 2015-16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017-18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015-16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new timetable. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

For the fourth year in a row there have been no qualified opinions on the accounts issued to date to principal bodies. The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015-16.

The complete report is available publically on the PSAA website: <https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>



# Appendix

## Appendix 1

# 2017/18 audit deliverables

Deliverable	Purpose	Timing	Status
<b>Planning</b>			
Fee letter	Communicate indicative fee for the audit year	April 2017	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2018	Complete
<b>Interim</b>			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	March 2018	TBC
<b>Substantive procedures</b>			
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	July 2018	TBC

Page 50

## Appendix 1

# 2017/18 audit deliverables (cont.)

Deliverable	Purpose	Timing	Status
<b>Completion</b>			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	July 2018	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2018	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	August 2018	TBC
<b>Certification of claims and returns</b>			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2018	TBC



© 2018 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.



---

<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>25 January 2018</b>
<b>REPORT OF THE:</b>	<b>RESOURCES AND ENABLING SERVICES LEAD (s151) PETER JOHNSON</b>
<b>TITLE OF REPORT:</b>	<b>INTERNAL AUDIT AND COUNTER FRAUD SECOND PROGRESS REPORT 2017/18</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

---

## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 The report summarises the outcome of internal audit and counter fraud work undertaken between 1 April 2017 and January 2018, inclusive.

### **2.0 RECOMMENDATION(S)**

- 2.1 It is recommended the Committee note the results of the work undertaken as part of 2017/18 internal audit and counter fraud plan.

### **3.0 REASON FOR RECOMMENDATION(S)**

- 3.1 To enable the Committee to fulfil its responsibility for considering the outcome of internal audit and counter fraud work.

### **4.0 SIGNIFICANT RISKS**

- 4.1 The Council will fail to comply with proper practice requirements for internal audit and the Council's Audit Charter if the results of audit work are not considered by an appropriate Committee.

### **5.0 POLICY CONTEXT AND CONSULTATION**

- 5.1 The work on internal audit and counter fraud supports the council's overall aims and priorities by promoting probity, integrity and honesty and by helping support the council to become a more effective organisation.
- 5.2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS) and CIPFA guidance on the application of those standards in Local Government. In accordance with the standards, the Head of Internal Audit is required to report on the results of audit work undertaken.

## **6.0 REPORT DETAILS**

- 6.1 The progress report included at Appendix 1 summarises the progress made against the 2017/18 internal audit plan. In the period from 1 April 2017 to 10 January 2018 three final reports have been issued. The work covered Data Protection and Security (visit 1), Housing Benefits and Council Tax/ NNDR. One report is completed to draft report stage (Taxi Licensing). Planned timings for all work not yet started have been agreed with officers. It is expected all audits will have draft reports issued by the end of April 2018.
- 6.2 A key aspect of our work since the last Committee has been to review the progress made implementing previously agreed actions. It is important agreed actions are formally followed-up to ensure they have been implemented by managers. We followed up the progress made in respect of findings which had a date for implementation of 30 November 2017 or earlier.
- 6.3 Counter fraud work has been undertaken in accordance with the approved plan. Annex E to the enclosed report provides a summary of the work undertaken in the period.

## **7.0 IMPLICATIONS**

- 7.1 The following implications have been identified:
- a) Financial  
None
  - b) Legal  
None
  - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)  
None

**Peter Johnson**  
**Resources and Enabling Services Lead (s151)**

**Author:** Stuart Cutts Audit Manager.  
Veritau Limited  
**Telephone No:** 01653 600666 (ext 382)  
**E-Mail Address:** [stuart.cutts@veritau.co.uk](mailto:stuart.cutts@veritau.co.uk)

**Author:** Jonathan Dodsworth Counter Fraud Manager.  
Veritau Limited  
**Telephone No:** 01904 552947  
**E-Mail Address:** [jonathan.dodsworth@veritau.co.uk](mailto:jonathan.dodsworth@veritau.co.uk)

**Background Papers:**  
2017/18 Internal Audit and Counter Fraud Plan



## Ryedale District Council

# Internal Audit and Counter Fraud Progress Report 2017/18

**Audit Manager:** Stuart Cutts  
**Counter Fraud Manager:** Jonathan Dodsworth  
**Head of Internal Audit:** Max Thomas

**Circulation List:** Members of the Overview and Scrutiny Committee  
Chief Executive  
Resources and Enabling Services Lead (s151)

**Date:** January 2018



## **Background**

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the PSIAS, the Head of Internal Audit is required to report progress against the internal audit plan and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members of this Committee approved the 2017/18 Internal Audit and Counter Fraud Plan at their meeting on the 20 April 2017. The total number of planned days for 2016/17 was 345. This report summarises the progress made in delivering the agreed plan.
- 3 This is the second Internal Audit progress report to be received by the Overview and Scrutiny Committee in 2017/18. This report therefore updates the Committee on the audit work completed between 1 April 2017 and 10 January 2018 and the fraud work completed between 1 April 2017 and 31 December 2017.

## **Internal Audit work completed**

- 4 In the period between 1 April 2017 and 10 January 2018 we have completed three pieces of work. All three reports have been finalised since the last committee. The work covered Data Protection and Security (visit 1), Housing Benefits and Council Tax/ NNDR. One report is completed to draft report stage (Taxi Licensing).
- 5 For those audits we have yet to start then these will be started within January or February. We have agreed timings with management for all 2017/18 audits. We are on target to have completed all audits and issued all draft reports by the end of April 2018. Further information is included in Annex A.
- 6 Information on the findings from the audits completed since we reported at the last Overview and Scrutiny Committee on 3 November 2017 is included in Annex B.

## **Audit Opinions**

- 7 For most reports we provide an overall opinion on the adequacy and effectiveness of the controls under review. The opinion given is based on an assessment of the risks associated with any weaknesses in controls identified. We also apply a priority to all actions agreed with management. Details of the opinion and priority rankings are included in Annex C.

## **Follow up of previous audit recommendations**

- 8 It is important agreed actions are regularly and formally followed up. This helps to provide assurance to management and members that control weaknesses have been properly addressed.
- 9 A total of nine agreed actions have been followed up with the responsible officers relating to four of the 2016/17 audit reports. These agreed actions had an agreed date for completion of 30 November 2017 (or earlier). Two of those actions have been completed.

- 10 In some instances it has taken officers longer than originally envisaged to fully address the issues raised. On payroll for example then technical challenges still remain to introduce the necessary system changes. We feel the delays (where happening) are not causing significant increased risks to the control environment. Further information on the follow up findings is included in Annex D.

### **Wider Internal Audit work**

- 11 In addition to undertaking assurance reviews, Veritau officers are involved in a number of other areas relevant to corporate matters:
- **Support to the Overview and Scrutiny Committee;** this is mainly ongoing through our attendance at meetings of the Committee and the provision of advice, guidance and training to members as required.
  - **Ongoing support to management and officers;** we meet regularly with management to identify emerging issues and provide advice on a range of specific business and internal control issues. These relationships help to provide 'real time' feedback on areas of importance to the Council. We have been working with senior management as part of the ongoing 'Towards 2020 Programme', providing support, advice and challenge.
  - **Risk Management;** Veritau provides support and advice on the Council's risk management arrangements and processes.
  - **Investigations;** We perform special or ad-hoc reviews or investigations into specific issues.

### **Counter Fraud**

- 12 Veritau provides the council's counter fraud service. The counter fraud team investigate a range of fraud against the authority, including council tax fraud, council tax support fraud, and internal fraud issues.
- 13 Up to 31 December 2017 the fraud team has achieved £44k in savings for the council as a result of investigative work. There are currently 11 ongoing investigations. A full summary of fraud activity is included in Annex E.

### **Updates to the 2017/18 Internal Audit and Counter Fraud Plan**

- 14 Following the last Overview and Scrutiny Committee we have agreed some revisions to the 2017/18 plan with the Director of Finance (s151 Officer). Overall there is no change to the total number of days. A summary and explanation of the changes are included below:

	<b>Days</b>
Taxi Licensing	+12
Audit follow up review	+6
Data Protection and Security – visit 2	+3
Fraud	+15
Partnerships	-6
Programme and Project Management	-15
HR Performance Management and Training	-15
<b>Total</b>	<b>0</b>

- 15 We have completed more work on Licensing, Audit follow ups and Counter Fraud than was initially envisaged in the 2017/18 original plan. The extra time has enabled the work to provide added value to the Council by providing more detailed reporting and review. Following the first Data Protection and Security visit the s151 officer has also requested another visit be completed in 2017/18.
- 16 We have used the time originally allocated to complete work on Partnerships, Programme and Project Management and HR Performance Management and Training to help complete the additional work. Work on these three areas will be considered as part of the upcoming 2018/19 internal audit planning process. With the continued work, post transformation, to embed the new organisation arrangements, audits in these areas are better being considered in future years when Council arrangements are further developed.

Stuart Cutts  
Audit Manager  
Veritau Ltd

Jonathan Dodsworth  
Counter Fraud Manager  
Veritau Ltd

January 2018

Table of 2017/18 audit assignments to 12 January 2018

Audit	Status	Assurance Level (if Completed)	Audit Committee
<b>Strategic Risk Register</b>			
Business Continuity and Disaster Recovery	Not started		
HR Performance Management and Training	Cancelled	-	
Data Protection and Security – visit 1	<b>Final Report</b>	<b>Reasonable Assurance</b>	<b>January 2018</b>
Data Protection and Security – visit 2	Planning		
IT Information Security	Not started		
Partnership Arrangements	Cancelled	-	
<b>Fundamental/Material Systems</b>			
Housing Benefits	<b>Final Report</b>	<b>High Assurance</b>	<b>January 2018</b>
Payroll	Planning		
Council Tax and NNDR	<b>Final Report</b>	<b>High Assurance</b>	<b>January 2018</b>
Sundry Debtors	Planning		
Creditors	Planning		
Income	Planning		
General Ledger	Planning		
<b>Regularity Audits</b>			
Procurement	In Progress		
Risk Management	Planning		
Lettings Income	In Progress		
Taxi Licensing	Draft Report		
Development Management	Not started		
<b>Technical/Project Audits</b>			
Transformation Programme	In Progress		
Project and Programme Management	Cancelled	-	
<b>Follow-Ups</b>			
	In Progress		

# Summary of Key Issues from audits completed to 10 January 2018; not previously reported to Committee

## Annex B

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
Data Protection and Security visit 1	Reasonable Assurance	<p>The Council holds and processes large amounts of personal and sensitive data. Senior management recognise there are information governance risks associated with holding this information and appropriate practices need to be followed.</p> <p>We performed an unannounced visit and review of Ryedale House on 23 October 2017.</p> <p>The objective of the visit was to assess the extent to which data was being held securely in the Council's offices. This included hard copy personal and sensitive information as well as electronic items such as laptops and removable media.</p> <p>We have undertaken previous visits with our last assessment being in January 2017.</p>	November 2017	<p><b>Strengths</b> Key safes are being used. The Clear Desk policy was being observed in most cases. There was a number of doors locked preventing access to areas of Ryedale House.</p> <p>The T2020 reorganisation resulted in many officers moving to other parts of the building. Some areas are now unoccupied. Large amounts of paperwork that isn't immediately required has been left in these areas if officers are short of storage space in their new locations. Three 'Tidy Days' were organised before Christmas to ensure these documents could be safely and appropriately disposed of, or secured.</p> <p><b>Areas for Improvement</b> The number of adverse findings has increased from 4 found in January 2017 to 9 on this occasion. These findings were not confined to any particular part of the building. To place this finding into context then in previous visits to January we had seen slightly more instances of adverse findings.</p> <p>There were some instances where Personal and sensitive information had been left on desks, filing trays, unlocked drawers and cupboards.</p> <p>So whilst progress has been made in some areas there is still a need to fully embed good information security practice at Ryedale House.</p>	<p>Officers responsible for the areas where unsecured sensitive information was found were reminded of their responsibilities to keep information secure.</p> <p>Veritau stressed the importance of data security as part of General Data Protection Regulation training delivered to Ryedale officers in November 2017.</p> <p>The s151 officer has requested Veritau complete a second unannounced visit which is to be undertaken in 2018.</p>
Housing Benefits	High Assurance	<p>We reviewed the Housing Benefits system to ensure:</p> <ul style="list-style-type: none"> <li>Data recorded in the system is</li> </ul>	January 2018	<p><b>Strengths</b> Data analytics software was used to check the accuracy and completeness of claimant</p>	-

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
		<p>accurate and complete.</p> <ul style="list-style-type: none"> <li>• Suitable access controls are in place to ensure the integrity of the system and the data held.</li> <li>• Regular reconciliations are completed between the benefits data, council tax data (for Council Tax Support) and the general ledger;</li> <li>• Support applications and changes of circumstances are assessed and processed within a reasonable timeframe;</li> <li>• There is a robust system in place to deal efficiently with the collection of overpayments.</li> </ul>		<p>information held. No issues were found.</p> <p>Appropriate access controls to systems and data were in place and are documented.</p> <p>Regular reconciliations are carried out between the Benefits system and the Ledger. These reconciliations help to ensure the two systems agree. Our testing identified no matters arising.</p> <p>In previous years we had seen some claims not processed within prescribed timescales. Recent use of contractors and partnership working has shown improvements and reduced processing times for new claims and changes in circumstances to within target timescales. These arrangements have also led to some resilience being built into the Benefits team.</p> <p>There is a good process in place to ensure invoices raised to recover overpayment of benefits are checked before being issued. Debts are regularly reviewed. Write-offs had been written-off in accordance with standing orders.</p> <p><b>Areas for Improvement</b> There were no areas for improvement noted.</p>	
Council Tax / NNDR	High Assurance	<p>We reviewed the Revenues system to ensure that</p> <ul style="list-style-type: none"> <li>• Government funding is correctly applied to those businesses that have seen the most significant increases as a result of revaluation</li> <li>• The 2017/18 relief for Public Houses has been correctly applied.</li> </ul>	January 2018	<p><b>Strengths</b> Checks had been made to ensure the Revenues system was updated to agree with the new valuation list provided by the Valuation Office, following the national business rate revaluation.</p> <p>The Council has a comprehensive and up to date Discretionary Non-Domestic Rate Relief Policy. Calculations of the Discretionary Revaluation Relief (DRR) were accurate.</p>	We are actively exploring the potential to enter into reciprocal working arrangements with a neighbouring authority to build service resilience. We also have options to procure temporary resources from specialist agencies if required.

System/Area	Opinion	Area Reviewed	Date Issued	Comments	Management Actions Agreed
		<ul style="list-style-type: none"> <li>Local people are being made fully aware of the Severely Mentally Impaired (SMI) Discount and rules are being consistently applied.</li> <li>Access to the Northgate Revenues system is restricted to authorised users.</li> </ul>		<p>The Council sought to consult on DRR with major preceptors (although there was no response). The Public Houses relief for 2017/18 had been correctly applied in accordance with legislation and Policy.</p> <p>Details about the Severely Mentally Disabled (SMI) council tax discount were available on the Council's website. There is a relatively wide uptake of the discount in Ryedale. The SMI had been reviewed by the Senior Revenues Officer prior to the audit and the national publicity.</p> <p>The procedures and controls over access to the Northgate Benefits and Revenues system were reviewed. Appropriate password and other access controls are set in the Northgate system. System users are reviewed on an annual basis.</p> <p><b>Areas for Improvement</b> We highlighted a point relevant to most areas at the Council, including NNDR/Council Tax. The Senior Revenues Officer is highly knowledgeable which helps to ensure the Council has appropriate arrangements. However, as is sometimes inevitable with a Council the size of Ryedale, the Council is highly reliant on his knowledge and experience. There is a risk the Council will have a Revenues knowledge gap if the current post holder were to leave or be absent for any period of time.</p>	We have estimated a deadline of 31 March 2018 to complete this action.

### Audit Opinions and Priorities for Actions

#### Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

#### Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

**An overview of progress made implementing agreed actions with 30 November 2017 deadline (or earlier)**

<b>Audit</b>	<b>Assurance Rating</b>	<b>Total</b>	<b>Completed</b>	<b>Comments</b>
Payroll	Limited Assurance	3	0	In addressing one action (to use GCSX accounts for extra security) officers have found some issues with external supplier systems which require additional work and which impact on other findings. There have also been some issues with the self service pilot where errors have been identified. Roll out will only be undertaken when the issues have been fully resolved. Revised deadlines for the three actions are now 31 March 2018.
Business Continuity and Disaster Recovery	Reasonable Assurance	3	2	Ryedale's service area business continuity plans have now been completed. The remaining action relates to the Corporate Business Continuity plan which has not yet been completed.
Income	Substantial Assurance	1	1	The remaining action in respect of a supervisory check on transfers and reversals being carried out monthly has been introduced.
Risk Management	No opinion	2	0	Two actions (adding mitigating actions to medium/high risks and maintaining a programme of priority projects on Covalent together with the associated risk plans) with end of October 2017 deadlines have not yet been completed.
<b>Total</b>		<b>9</b>	<b>3</b>	

## Counter Fraud Activity 2017/18

The table below shows the total number of fraud referrals received and summarises the outcomes of investigations completed during the year.

	<b>2017/18 (As at 31/12/17)</b>	<b>2016/17 (Full Year)</b>
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, and housing allocations blocked).	30%	53%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£43,990	£38,642

Page 65

### Caseload figures for the period are:

	<b>2017/18 (As at 31/12/17)</b>	<b>2016/17 (Full Year)</b>
Referrals received	60	70
Referrals rejected	15	15
Number of cases under investigation	11	25 <sup>1</sup>
Number of investigations completed	25	30

---

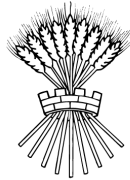
<sup>1</sup> As at 31/3/17

## Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>Work on the 2016/17 National Fraud Initiative (NFI) data matching exercise is almost complete. There were 91 recommended matches to investigate covering a range of council services.</p> <p>A new NFI Council Tax Single Person Discount data matching exercise is currently underway. Data has been securely sent to the NFI and results are expected shortly.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity to date includes the following:</p> <ul style="list-style-type: none"> <li>• <b>Council Tax Support fraud</b> – To date the team has received 20 referrals for possible CTS fraud. Over £18,000 in overpayments have been identified in the current financial year. There are currently 5 cases under investigation. One person has been prosecuted for CTS fraud this year.</li> <li>• <b>Council Tax/Non Domestic Rates fraud</b> – 39 referrals for council tax or business rates fraud have been received in 2017/18. There are currently 5 cases under investigation.</li> </ul>
Fraud liaison	<p>The counter fraud team acts as a single point of contact for the Department for Work and Pensions (DWP) and is responsible for providing data to support their housing benefit investigations. The team has dealt with 79 requests to date in 2017/18.</p> <p>In addition housing benefit fraud concerns from within the council as well as from members of the public have been referred to the DWP for investigation. These referrals are tracked to ensure that the Council is aware of the results of any DWP investigations. Where financial penalties are recommended by the DWP the circumstances of each case is reviewed and advice is given to the Council to assist decision making.</p>
Fraud management	<p>In 2017/18 a range of activity has been undertaken to the support the Council's counter fraud framework.</p> <ul style="list-style-type: none"> <li>• In July an annual counter fraud report was brought to the Overview and Scrutiny Committee. As part of the annual report the counter fraud and corruption policy and counter fraud strategy were both reviewed. No updates were required to the policy and strategy however a counter fraud risk assessment and associated action plan were updated to reflect current fraud threats facing the council.</li> </ul>

Activity	Work completed or in progress
	<ul style="list-style-type: none"> <li>• As part of International Fraud Week in November, the counter fraud team raised awareness of fraud with staff via intranet articles published throughout that week.</li> <li>• The counter fraud team continues to alert council departments to emerging local and national threats through a monthly bulletin and specific alerts.</li> </ul>

This page is intentionally left blank



---

<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE</b>
<b>DATE:</b>	<b>25 JANUARY 2018</b>
<b>REPORT OF THE:</b>	<b>RESOURCES &amp; ENABLING SERVICES LEAD (s151) PETER JOHNSON</b>
<b>TITLE OF REPORT:</b>	<b>ANNUAL GOVERNANCE STATEMENT ACTION PLAN</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

---

## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 The report informs Members of the progress made to address the actions identified in the 2016-17 Annual Governance Statement (AGS) action plan.

### **2.0 RECOMMENDATION**

- 2.1 It is recommended that Members note the progress made to address identified actions in the 2016-17 AGS action plan.

### **3.0 REASON FOR RECOMMENDATION**

- 3.1 Monitoring progress with identified actions in the AGS is good practice and it helps to demonstrate to the external auditors that the audit committee is properly exercising its role.

### **4.0 SIGNIFICANT RISKS**

- 4.1 There are no significant risks.

### **5.0 POLICY CONTEXT AND CONSULTATION**

- 5.1 There is no impact upon specific policies, although the AGS is an important corporate document demonstrating the Council's commitment to an open and transparent philosophy in all its activities.

### **6.0 REPORT DETAILS**

- 6.1 Good governance is important to all involved in local government; however, it is a key responsibility of the Leadership of the Council and of the Chief Executive.

- 6.2 The preparation and publication of an Annual Governance Statement in accordance with the Cipfa/SOLACE Framework is necessary to meet the statutory requirements set out in Regulation 6 of the Accounts and Audit Regulations 2015.
- 6.3 To meet the requirement to review the AGS an Action Plan has been agreed and is subject to review by the Council's Audit Committee.
- 6.4 This report presents a review of the implementation of actions proposed in the Action Plan associated with the 2016-17 AGS.
- 6.5 The Action Plan detailed in Appendix A, sets out the current position with comments on the actions proposed in the plan.
- 6.6 The AGS Action Plan is a document that should be reviewed periodically during the year. A final review will be completed when the AGS for 2017-18 is being drafted and any current items which remain outstanding will then be brought forward into the new AGS.

## **7.0 IMPLICATIONS**

- 7.1 The following implications have been identified:
- a) Financial  
None
  - b) Legal  
None
  - c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)  
None

**Peter Johnson**  
**Resources & Enabling Services Lead (s151)**

**Author:** Peter Johnson, Resources & Enabling Services Lead (s151)  
**Telephone No:** 01653 600666 ext 392  
**E-Mail Address:** [peter.johnson@ryedale.gov.uk](mailto:peter.johnson@ryedale.gov.uk)

**Background Papers:**  
None

## ANNUAL GOVERNANCE STATEMENT 2016/17

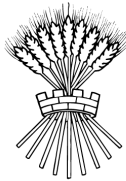
## Action Plan for Implementation in 2017/18

STATUS	CONTROL ISSUE	ACTION PROPOSED	RESPONSIBILITY	TARGET DATE	CURRENT COMMENTS	POSITION &
Brought Forward	Risk of compromise and weaknesses in operational systems as a consequence of continuing reductions in staffing as Government funding cuts made.	Where changes in staffing occur, that changes in operating arrangements are reviewed prior to reducing the controls.  Internal audit will be included in working groups reviewing operating systems and arrangements, including commissioning, partnership arrangements etc.	Resources & Enabling Services Lead Officer (s151).	Ongoing	The T2020 transition process to the new operating model will include ongoing assessments of whether controls within operational systems are working adequately.  Internal Audit have been and will continue to be involved in the transition process.	
2015/16 and 2016/17	The audit opinion of the control environment for the management of risk is weak.	That the Corporate approach to risk is applied consistently across the council for management of corporate, service, project and partnership risk.	Deputy Chief Executive	September 2017	Of the 12 actions identified from the last audit of Risk, 7 have been implemented.  These include approval of a revised strategy, an update of procedures and delivery of training.  It is anticipated that the remaining actions will be addressed before the end of the current financial year.	
2015/16 and 2016/17	The audit opinion of the Internal control environment for the Payroll process remains weak. In the financial years 2015-16 and 2016-17 there has been effort made to improve the control environment and whilst progress has been made it is not enough to improve the overall opinion.	In addition to the agreed audit actions, improved joint working is planned between staff involved in Payroll and Finance to improve a number of procedures for the payroll process. This will include regular meetings of key staff responsible for the implementation of recommendations with the s151 Officer to ensure progress made continues in the new financial year.	Resources & Enabling Services Lead Officer and HR Manager.	September 2017	A number of areas within the council are now using employee self-service, further rollout has been delayed until technical IT issues have been resolved. The Service Level Agreement has now been updated and signed by both parties.  Payroll and Finance functions have been integrated into one section under the new operating model from April 2017.	

Brought Forward	On-going and future changes to the Council's financial framework including several changes to national and local funding regimes will increase the financial pressure on the Council and risk profile. These changes arise from continued downward pressure on government funding of Councils as confirmed in the indicative long term financial settlement	<p>The agreed Medium Term Financial Strategy of the Council reflects the expected need to make future savings over the medium term taking into account anticipated changes in financing. This informs the budget process for future years.</p> <p>The s151 Officer considers the risk as part of the closure of accounts including the need to make appropriate provisions and reserves at the year-end.</p>	Resources and Enabling Services Lead Officer	Ongoing	<p>The Medium Term Financial Strategy approved by Members in February 2017 has been revised to reflect anticipated changes to the retained business rates scheme, the financial consequences of the location of the Waste Transfer Station and a forecast reduction in recycling credit income for green waste. A revised MTFS will be presented to P&amp;R in February 2018 with the Financial Strategy</p> <p>The 2016/17 Statement of Accounts, including a statement on the adequacy of reserves made by the s151 officer, were approved by the P&amp;R Committee in September 2017.</p>
2016/17	The Corporate Peer Challenge findings recommended a review of Governance arrangements	<p>The areas highlighted were:</p> <ul style="list-style-type: none"> <li>-Political Leadership succession planning</li> <li>-Member development</li> <li>-Involvement of Members in priority setting</li> </ul>	Members	Ongoing	A Member working group has been established to address the findings. The working group has requested an update to the action plan. The group is due to meet again on 18/1/18
2016/17	The results of the recent Staff Survey indicated the bullying of employees within Ryedale District Council.	Overview & Scrutiny Committee will conduct a full investigation into the indication of bullying of employees. Officers will comply with all requests for information that the Committee makes in relation to the investigation. A budget of £10,000 will be provided - if required - to the Committee in order to conduct the investigation and procure expert assistance, which will be funded using general reserves.	Members	Ongoing	The Chair of Overview and Scrutiny is leading a task group who will report their findings to full council. Work is ongoing and is scheduled to be discussed at the Overview and Scrutiny meeting on 25/1/18.

## OVERVIEW AND SCRUTINY ITEM, DRAFT FOR CONSIDERATION PRIOR TO FULL COUNCIL

**RYEDALE  
DISTRICT  
COUNCIL**



---

<b>REPORT TO:</b>	<b>COUNCIL</b>
<b>DATE:</b>	<b>22 FEBRUARY 2018</b>
<b>REPORT OF THE:</b>	<b>RESOURCES &amp; ENABLING SERVICES LEAD (s151) PETER JOHNSON</b>
<b>TITLE OF REPORT:</b>	<b>TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2018/19</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

---

### **EXECUTIVE SUMMARY**

#### **1.0 PURPOSE OF REPORT**

- 1.1 To consider the Treasury Management and Annual Investment Strategies, the Minimum Revenue Provision Policy and set the Prudential Indicators for 2018/19.

#### **2.0 RECOMMENDATIONS**

- 2.1 That Council is recommended to approve:
- (i) Members receive this report;
  - (ii) The Treasury Management and Investment Strategies be noted and approved by the Council;
  - (iii) The Minimum Revenue Provision Policy Statement be approved by the Council and;
  - (iii) That the Prudential Indicators in the report be approved by the Council.

#### **3.0 REASON FOR RECOMMENDATIONS**

- 3.1 The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Treasury Management in Local Authorities (The Code) was adopted by the Council.
- 3.2 The Local Government Act 2003 and supporting regulations requires the Council to have regard to specified codes of practice, namely the CIPFA publications *Prudential Code for Capital Finance in Local Authorities* and *Treasury Management in the Public Services; Code of Practice and Cross Sectoral Guidance Notes*.

#### **4.0 SIGNIFICANT RISKS**

- 4.1 There are significant risks when investing public funds especially with unknown institutions. However, by the adoption of the CIPFA Code and a prudent investment policy, these are minimised. The employment of Treasury Advisors also helps reduce the risk.

## **5.0 POLICY CONTEXT AND CONSULTATION**

- 5.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in Local Authorities and this report complies with the requirements under this code and the relevant requirements of the Local Government Act 2003.
- 5.2 The Council use the services of Link Asset Services to provide treasury management information and advice.

## **REPORT**

### **6.0 REPORT DETAILS**

- 6.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 6.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 6.3 CIPFA defines treasury management as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

#### **Reporting Requirements**

- 6.4 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals. These reports are required to be adequately scrutinised by committee before being recommended to the Council. This role is undertaken by the Overview and Scrutiny Committee.

***Prudential and Treasury Indicators and Treasury Strategy*** (this report) – The first and most important report covers:

- The capital plans (including prudential indicators);
- A Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- The Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- An investment strategy (the parameters on how investments are to be managed).

**A Mid Year Treasury Management Report.** This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy or whether any policies require revision.

**An Annual Treasury Report.** This provides details of a selection of actual prudential treasury indicators and actual treasury operations compared to the estimates within the strategy.

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

6.5 The strategy for 2018/19 covers two main areas

#### **Capital Issues**

- The capital plans and prudential indicators
- The MRP strategy

#### **Treasury Management Issues**

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

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

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

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

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

<b>Capital Expenditure</b>	<b>2016/17 Actual £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
<b>Capital Programme</b>	<b>0.538</b>	<b>2.300</b>	<b>2.016</b>	<b>0.791</b>	<b>0.811</b>

The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

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

Capital Expenditure	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Total	0.538	2.300	2.016	0.791	0.811
<b>Financed by:</b>					
Capital receipts	-0.186	-0.260	-0.543	-0.030	-0.030
Capital grants	-0.311	-0.687	-0.785	-0.496	-0.496
Revenue	-0.041	-1.353	-0.688	-0.265	-0.285
<b>Net financing need for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### 6.9 The Council's Borrowing Need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

- 6.10 Following accounting changes the CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £0.532m of such schemes within the CFR.

#### The Council is asked to approve the CFR projections below:

	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
<b>Capital Financing Requirement</b>					
<b>Total CFR</b>	<b>2.227</b>	<b>2.172</b>	<b>1.960</b>	<b>1.897</b>	<b>2.144</b>
<b>Movement in CFR</b>	<b>-0.124</b>	<b>-0.055</b>	<b>-0.212</b>	<b>-0.063</b>	<b>0.247</b>

<b>Movement in CFR represented by</b>					
Net financing need for the capital programme	0	0	0	0	0
Net financing need – other long term liabilities	0.050	0.158	0	0.158	0.474
Less MRP and other financing movements	-0.174	-0.213	-0.212	-0.221	-0.227
<b>Movement in CFR</b>	<b>-0.124</b>	<b>-0.055</b>	<b>0.212</b>	<b>-0.063</b>	<b>-0.247</b>

#### **MRP Policy Statement**

- 6.11 The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision – MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision – VRP).
- 6.12 CLG Regulations have been issued which require the full Council to approve an MRP Policy Statement in advance of each year. A variety of options are provided to councils so long as there is a prudent provision. **The Council is recommended to approve the following MRP Statement.**

Certain expenditure reflected within the actual debt liability at 31 March 2017 will under delegated powers be subject to MRP under option 3 of the guidance; this relates to the

acquisition through finance lease of refuse and recycling vehicles and will be charged over a period which is commensurate with the life of the lease, using the annuity method.

For future borrowing, estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Council. However, the Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

As some types of capital expenditure incurred by the Council are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will be divided up in cases where there are two or more major components with substantially different useful economic lives.

### **The Use of the Council's Resources and the Investment Position**

- 6.13 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an on-going impact on investments unless resources are supplemented each year from new sources (asset sales etc). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

<b>Year End Resources</b>	<b>2016/17 Actual £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
Fund balances / reserves	8.692	7.079	5.848	5.553	5.238
Capital receipts	0.222	0.222	0.222	0.222	0.222
Capital Grants	0.096	0	0	0	0
Provisions	0.742	0.742	0.742	0.742	0.742
<b>Total core funds</b>	<b>9.752</b>	<b>8.043</b>	<b>6.812</b>	<b>6.517</b>	<b>6.202</b>
Working capital*	6.261	5.261	4.261	3.961	3.661
Under/over borrowing	0	0	0	0	0
<b>Expected Investments</b>	<b>16.013</b>	<b>13.304</b>	<b>11.073</b>	<b>10.478</b>	<b>9.863</b>

\*working capital balances shown are estimated year end; these may be higher mid year

### **Affordability Prudential Indicators**

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

**Actual and estimates of the ratio of financing costs to net revenue stream.** This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

	<b>2016/17 Actual</b>	<b>2017/18 Estimate</b>	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
Non HRA	2.26%	3.32%	3.47%	2.88%	2.96%

The estimates of financing costs include current commitments and the proposals in this budget report.

**Estimates of the incremental impact of capital investment decisions on council tax.** This indicator identifies the revenue costs associated with proposed changes to the capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates.

**Incremental impact of capital investment decisions on the band D council tax**

	<b>2018/19 Estimate</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
<b>Council tax – band D</b>	£0.07	£0.03	£0.04

**TREASURY MANAGEMENT STRATEGY**

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

**Current Portfolio Position**

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

	<b>2016/17 Actual £m</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
<b>External Debt</b>					
Debt at 1 April	1.730	1.695	1.655	1.615	1.575
Expected change in debt	-0.035	-0.040	-0.040	-0.040	-0.040
Other long term liabilities (OLTL)	0.621	0.532	0.518	0.346	0.323
Expected change in OLTL	-0.089	-0.015	-0.173	-0.024	0.286
<b>Actual gross debt at 31 March</b>	<b>2.227</b>	<b>2.172</b>	<b>1.960</b>	<b>2.278</b>	<b>2.144</b>
<b>Capital financing Requirement</b>	<b>2.227</b>	<b>2.172</b>	<b>1.960</b>	<b>1.897</b>	<b>2.144</b>
<b>Under / over(-) borrowing</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 6.17 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its total debt net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.
- 6.18 The Chief Financial Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view

takes into account current commitments, existing plans, and the proposals in this budget report.

### **Treasury Indicators: Limits to Borrowing Activity**

- 6.19 **The Operational Boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

<b>Operational Boundary</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
Debt	5.000	5.000	5.000	5.000
Other long term liabilities	0.500	0.400	0.400	0.600
Total	5.500	5.400	5.400	5.600

- 6.20 **The Authorised Limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans or those of a specified council, although this power has not been exercised.

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

<b>Authorised Limit</b>	<b>2017/18 Estimate £m</b>	<b>2018/19 Estimate £m</b>	<b>2019/20 Estimate £m</b>	<b>2020/21 Estimate £m</b>
Debt	10.000	10.000	10.000	10.000
Other long term liabilities	1.000	1.000	1.000	1.000
Total	11.000	11.000	11.000	11.000

### **Prospects for Interest Rates**

- 6.21 The Council has appointed Capita as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Annex G draws together a number of current city forecasts for short term (bank rate) and longer fixed interest rates. The following table gives the Capita central view

	<b>Bank Rate</b>	<b>PWLB Borrowing Rates</b>		
		<b>5 Year</b>	<b>25 Year</b>	<b>50 Year</b>
March 2018	0.50	1.60	2.90	2.60
June 2018	0.50	1.60	3.00	2.70
Sept 2018	0.50	1.70	3.00	2.80
Dec 2018	0.75	1.80	3.10	2.90
March 2019	0.75	1.80	3.10	2.90
June 2019	0.75	1.90	3.20	3.00
Sept 2019	0.75	1.90	3.20	3.00
Dec 2019	1.00	2.00	3.30	3.10
March 2020	1.00	2.10	3.40	3.20
June 2020	1.00	2.10	3.50	3.30
Sept 2020	1.25	2.20	3.50	3.30
Dec 2020	1.25	2.30	3.60	3.40
March 2021	1.25	2.30	3.60	3.40

6.23 An economic outlook is included at Annex F, the challenging and uncertain economic environment has several key treasury management implications:

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little general trend in rates during the current financial year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost – the difference between borrowing costs and investment returns.

#### **Borrowing Strategy**

6.24 The Council has resolved to borrow £2.07m as funding towards the 4 year capital programme, specifically as funding towards the A64 Brambling Fields upgrade, the Council delayed borrowing until internal capital funds reached the point where they were insufficient to meet capital expenditure. The Council has undertaken £1.75m of its total borrowing requirement.

Given the priority to deliver revenue savings in the medium term and taking into account the budget surplus in 2016/17 which was transferred into reserves, Officers recommend that the Council no longer pursues the option of borrowing the outstanding £320k to support the current Capital Programme and instead the preferred option is to drawdown £320k from reserves to fund the capital programme shortfall.

#### **Treasury Management Limits on Activity**

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

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

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

%	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>Interest Rates Exposure</b>	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
<b>Borrowing:</b>			
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	5%	5%	5%
<b>Investments:</b>			
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates	50%	50%	50%
<b>Maturity Structure of fixed interest rate borrowing 2018/19</b>	<b>Lower</b>	<b>Upper</b>	
15 years to 20 years	37%	39%	
45 years to 50 years	61%	63%	

**Policy on Borrowing in Advance of Need**

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

**ANNUAL INVESTMENT STRATEGY**

**Investment Policy**

- 6.27 The Council's investment policy has regard to the CLGs Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code") The Council's investment priorities will be security first, liquidity second, and then return.
- 6.28 In accordance with guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using the Sector ratings service banks ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.
- 6.29 Further the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay that information on top of the credit ratings. This is fully integrated into the credit methodology provided by the advisors, Sector in producing its colour coding which show the varying degrees of creditworthiness.
- 6.30 The aim of the strategy is to generate a list of highly creditworthy counterparties which

will also enable diversification and thus avoidance of concentration risk. The intention of the strategy is to provide security of investment and minimisation of risk.

- 6.31 Investment securities identified for use in the financial year are listed in Annex B under the Specified and Non-Specified Investments categories. Counterparty limits will be as set through the Council's Treasury Management Practices – schedules. The Council's bankers are excluded from these limits.

#### **Creditworthiness Policy**

- 6.32 This Council applies the creditworthiness service provided by Capita Asset Services (Sector). This service employs a sophisticated modelling approach utilising credit ratings from all three main credit rating agencies - Fitch, Moodys and Standard and Poors. The credit ratings of counterparties are supplemented with the following overlays:

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

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

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

\* This category has been added for AAA rated Government debt or its equivalent.

- 6.34 The Capita Asset Services creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency ratings.
- 6.35 Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of Short Term rating F1 , Long Term rating A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these, instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 6.36 All credit ratings will be monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Capita Asset Services creditworthiness service.
- If a downgrade results in the counterparty / investment scheme no longer meeting

the Council's minimum criteria, its further use as a new investment will be withdrawn immediately;

- In addition to the use of credit ratings the Council will be advised of information in movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the lending list.

- 6.37 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, information on government support for banks and the credit ratings of that government support.

### **Country Limits**

- 6.38 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies). The list of countries that qualify using this credit criteria as at the date of this report are shown in Annex C. This list will be added to or deducted from by officers should ratings change in accordance with this policy.

### **Investment Strategy to be followed with cash flow derived balances**

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

- 6.40 **Investment returns expectations.** Bank Rate is forecast to stay flat at 0.50% until quarter 3 2018 and not to rise above 1.00% until quarter 3 2020. Bank Rate forecasts for financial year ends (March) are:

2017/18 0.50%

2018/19 0.75%

2019/20 1.00%

2020/21 1.25%

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

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

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

<b>Maximum principal sums invested &gt; 365 days</b>			
	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Principal sums invested > 365 days	£1.0m	£1.0m	£1.0m

- 6.42 For its cash flow generated balances, the Council will seek to utilise its notice accounts, money market funds and short dated deposits (overnight to three months) in order to benefit from the compounding of interest.

### **End of Year Investment Report**

- 6.43 At the end of the financial year the Council will report on its investment activity as part

of the Annual Treasury Report.

**Policy on the use of external service providers**

6.44 The Council uses Capita as its external treasury management advisors.

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

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

**Scheme of Delegation**

6.47 Please see Annex D.

**Role of the section 151 officer**

6.48 Please see Annex E.

**7.0 IMPLICATIONS**

7.1 The following implications have been identified:

a) Financial

The results of the investment strategy affect the funding of the Capital Programme.

b) Legal

There are no legal implications regarding this report.

c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)

There are no legal implications regarding this report.

**Peter Johnson**

**Resources & Enabling Services Lead (s151)**

**Author:** Peter Johnson, Resources & Enabling Services Lead (s151)

Telephone No: 01653 600666 ext: 392

E-Mail Address: [peter.johnson@ryedale.gov.uk](mailto:peter.johnson@ryedale.gov.uk)

**Background Papers:**

None

**Background Papers are available for inspection at:**

None

## TREASURY MANAGEMENT STATEMENT AND INVESTMENT STRATEGY REPORT- RISK MATRIX – ANNEX A

Issue/Risk	Consequences if allowed to happen	Likelihood	Impact	Mitigation	Mitigated Likelihood	Mitigated Impact
Credit risk - associated with investing with financial institutions that do not meet the credit rating criteria.	Could mean loss of principal sum and interest accrued.	2	D	Although the economic climate is improving, counterparty risk is still a big issue. As a result the Council have adopted a stringent credit rating methodology.	1	D
Market risk - Selection of wrong type of investment for higher return.	The poor performance of the chosen investment.	2	B	The number of investment options is kept to a minimum. Investments are normally restricted to short term fixed rate deposits or instant access accounts.	2	B
Liquidity risk - Use of fixed term deposits and / or instruments / investments with low marketability may mean a lack of liquidity	Unable to take advantage of better investment options. Funds are unavailable to cover capital spend.	1	B	This Strategy specifies the type of instrument the authority is prepared to invest in and maximum term for those investments	1	B

Score	Likelihood	Score	Impact
1	Very Low	A	Low
2	Not Likely	B	Minor
3	Likely	C	Medium
4	Very Likely	D	Major
5	Almost Certain	E	Disaster

This page is intentionally left blank

## ANNEX B

### SPECIFIED AND NON-SPECIFIED INVESTMENTS

#### SPECIFIED INVESTMENTS:

All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable. These are considered low risk assets where the possibility of loss of principal or investment income is small.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

Investment	Minimum Credit Criteria / Colour Band	£ limit per institution and single transaction	Max maturity period
Debt Management Agency Deposit Facility	N/A	£3.0m	6 months
Term deposits – local authorities	N/A	£3.0m	1 year
Term deposits - UK part nationalised banks	Blue **	£3.0m	1 year
Term deposits – banks and building societies	Orange Red Green No colour	£3.0m	Up to 1 year Up to 6 months Up to 100 days Not for use
Money Market Funds	AAA	£3.0m	Liquid

\*\*only applies to nationalised or semi nationalised UK Banks

## NON-SPECIFIED INVESTMENTS

A maximum of £1.0m will be held in aggregate in non-specified investment

### 1. Maturities of ANY period

Investment	Minimum Credit Criteria / Colour Band	Maximum Investment	Maximum maturity period
Certificates of deposits issued by banks and building societies	Green	£1.0m	Up to 2 years
UK Government Gilts	Sovereign rating	£1.0m	Up to 2 years
Bonds issued by multilateral development banks	AAA	£1.0m	Up to 2 years
Bonds issued by a financial institution which is explicitly guaranteed by the UK government	Sovereign rating	£1.0m	Up to 2 years
Fixed term deposits with variable rate and variable maturities:			
Structured deposits	Green	£1.0m	Up to 2 years
Commercial paper issuance by UK banks covered by UK Government guarantee	Green	£1.0m	Up to 2 years
Other debt issuance by UK banks covered by UK Government guarantee	Green	£1.0m	Up to 2 years

.This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

### 2. Maturities in excess of 1 year

Investment	Minimum Credit Criteria	Maximum Investment	Maximum maturity period
Term deposits – local authorities	N/A	£1.0m	Up to 2 Years
Term deposits – banks and building societies	Purple	£1.0m	Up to 2 Years

**APPROVED COUNTRIES FOR INVESTMENTS**

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Finland
- Hong Kong
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- U.K.

AA-

- Belgium
- Qatar

**TREASURY MANAGEMENT SCHEME OF DELEGATION**

**1. Full Council**

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

**2. Policy and Resources Committee**

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- approving the selection of external service providers and agreeing terms of appointment.

**3. Overview and Scrutiny Committee**

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

## **THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER**

### **The S151 (responsible) officer**

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

**GLOBAL OUTLOOK.** World growth looks to be on an encouraging trend of stronger performance, rising earnings and falling levels of unemployment. In October, the IMF upgraded its forecast for world growth from 3.2% to 3.6% for 2017 and 3.7% for 2018.

In addition, **inflation prospects are generally muted** and it is particularly notable that **wage inflation** has been subdued despite unemployment falling to historically very low levels in the UK and US. This has led to many comments by economists that there appears to have been a fundamental shift downwards in the Phillips curve (this plots the correlation between levels of unemployment and inflation e.g. if the former is low the latter tends to be high). In turn, this raises the question of what has caused this? The likely answers probably lay in a combination of a shift towards flexible working, self-employment, falling union membership and a consequent reduction in union power and influence in the economy, and increasing globalisation and specialisation of individual countries, which has meant that labour in one country is in competition with labour in other countries which may be offering lower wage rates, increased productivity or a combination of the two. In addition, technology is probably also exerting downward pressure on wage rates and this is likely to grow with an accelerating movement towards automation, robots and artificial intelligence, leading to many repetitive tasks being taken over by machines or computers. Indeed, this is now being labelled as being the start of the **fourth industrial revolution**.

#### **KEY RISKS - central bank monetary policy measures**

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as Quantitative Easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that that period of stimulating economic recovery and warding off the threat of deflation is coming towards its close and a new period has already started in the US, and more recently, in the UK, on reversing those measures i.e. by raising central rates and (for the US) reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of an on-going reduction in spare capacity in the economy, and of unemployment falling to such low levels that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this then also encouraged investors into a search for yield and into investing in riskier assets such as equities. This resulted in bond markets and equity market prices both rising to historically high valuation levels simultaneously. This, therefore, makes both asset categories vulnerable to a sharp correction. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery by taking too rapid and too strong action, or, alternatively, let inflation run away by taking action that was too slow and/or too weak. **The potential for central banks to get this timing and strength of action wrong are now key risks.**

There is also a potential key question over whether economic growth has become too dependent on strong central bank stimulus and whether it will maintain its momentum against a backdrop of rising interest rates and the reversal of QE. In the UK, a key vulnerability is the

**low level of productivity growth**, which may be the main driver for increases in wages; and **decreasing consumer disposable income**, which is important in the context of consumer expenditure primarily underpinning UK GDP growth.

A further question that has come to the fore is whether **an inflation target for central banks of 2%**, is now realistic given the shift down in inflation pressures from internally generated inflation, (i.e. wage inflation feeding through into the national economy), given the above mentioned shift down in the Phillips curve.

- Some economists favour a shift to a **lower inflation target of 1%** to emphasise the need to keep the lid on inflation. Alternatively, it is possible that a central bank could simply 'look through' tepid wage inflation, (i.e. ignore the overall 2% inflation target), in order to take action in raising rates sooner than might otherwise be expected.
- However, other economists would argue for a **shift UP in the inflation target to 3%** in order to ensure that central banks place the emphasis on maintaining economic growth through adopting a slower pace of withdrawal of stimulus.
- In addition, there is a strong argument that central banks should **target financial market stability**. As mentioned previously, bond markets and equity markets could be vulnerable to a sharp correction. There has been much commentary, that since 2008, QE has caused massive distortions, imbalances and bubbles in asset prices, both financial and non-financial. Consequently, there are widespread concerns at the potential for such bubbles to be burst by exuberant central bank action. On the other hand, too slow or weak action would allow these imbalances and distortions to continue or to even inflate them further.
- Consumer debt levels are also at historically high levels due to the prolonged period of low cost of borrowing since the financial crash. In turn, this cheap borrowing has meant that **other non-financial asset prices**, particularly house prices, have been driven up to very high levels, especially compared to income levels. Any sharp downturn in the availability of credit, or increase in the cost of credit, could potentially destabilise the housing market and generate a sharp downturn in house prices. This could then have a destabilising effect on consumer confidence, consumer expenditure and GDP growth. However, no central bank would accept that it ought to have responsibility for specifically targeting house prices.

**UK.** After the UK surprised on the upside with strong economic growth in 2016, **growth in 2017 has been disappointingly weak**; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the economy, accounting for around 80% of GDP, has seen weak growth as consumers cut back on their expenditure. However, more recently there have been encouraging statistics from the **manufacturing sector** which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year while robust world growth has also been supportive. However, this sector only accounts for around 10% of GDP so expansion in this sector will have a much more muted effect on the overall GDP growth figure for the UK economy as a whole.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the **Monetary Policy Committee, (MPC), meeting of 14 September 2017** managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon. The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its

target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.0% in both September and October so that might prove now to be the peak.) This marginal revision in the Bank's forecast can hardly justify why the MPC became so aggressive with its wording; rather, the focus was on an emerging view that with unemployment having already fallen to only 4.3%, the lowest level since 1975, and improvements in productivity being so weak, that **the amount of spare capacity in the economy was significantly diminishing** towards a point at which they now needed to take action. In addition, the MPC took a more tolerant view of low wage inflation as this now looks like a common factor in nearly all western economies as a result of automation and globalisation. However, the Bank was also concerned that the withdrawal of the UK from the EU would effectively lead to a *decrease* in such globalisation pressures in the UK, and so this would cause additional inflationary pressure over the next few years.

At its 2 November meeting, the MPC duly delivered a 0.25% increase in Bank Rate. It also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. This is, therefore, not quite the 'one and done' scenario but is, nevertheless, a very relaxed rate of increase prediction in Bank Rate in line with previous statements that Bank Rate would only go up very gradually and to a limited extent.

However, some forecasters are flagging up that they expect growth to accelerate significantly towards the end of 2017 and then into 2018. This view is based primarily on the coming fall in inflation, (as the effect of the effective devaluation of sterling after the EU referendum drops out of the CPI statistics), which will bring to an end the negative impact on consumer spending power. In addition, a strong export performance will compensate for weak services sector growth. If this scenario was indeed to materialise, then the MPC would be likely to accelerate its pace of increases in Bank Rate during 2018 and onwards.

It is also worth noting the **contradiction within the Bank of England** between action in 2016 and in 2017 **by two of its committees**. After the shock result of the EU referendum, the **Monetary Policy Committee (MPC)** voted in August 2016 for emergency action to cut Bank Rate from 0.50% to 0.25%, restarting £70bn of QE purchases, and also providing UK banks with £100bn of cheap financing. The aim of this was to lower borrowing costs, stimulate demand for borrowing and thereby increase expenditure and demand in the economy. The MPC felt this was necessary in order to ward off their expectation that there would be a sharp slowdown in economic growth. Instead, the economy grew robustly, although the Governor of the Bank of England strongly maintained that this was *because* the MPC took that action. However, other commentators regard this emergency action by the MPC as being proven by events to be a mistake. Then in 2017, we had the **Financial Policy Committee (FPC)** of the Bank of England taking action in June and September over its concerns that cheap borrowing rates, and easy availability of consumer credit, had resulted in too rapid a rate of growth in consumer borrowing and in the size of total borrowing, especially of unsecured borrowing. It, therefore, took punitive action to clamp down on the ability of the main banks to extend such credit! Indeed, a PWC report in October 2017 warned that credit card, car and personal loans and student debt will hit the equivalent of an average of £12,500 per household by 2020. However, averages belie wide variations in levels of debt with much higher exposure being biased towards younger people, especially the 25 -34 year old band, reflecting their lower levels of real income and asset ownership.

One key area of risk is that consumers may have become used to cheap rates since 2008 for borrowing, especially for mortgages. It is a major concern that **some consumers may have over extended their borrowing** and have become complacent about interest rates going up after Bank Rate had been unchanged at 0.50% since March 2009 until falling further to 0.25% in August 2016. This is why forward guidance from the Bank of England continues to emphasise slow and gradual increases in Bank Rate in the coming years. However, consumer borrowing is a particularly vulnerable area in terms of the Monetary Policy Committee getting

the pace and strength of Bank Rate increases right - without causing a sudden shock to consumer demand, confidence and thereby to the pace of economic growth.

Moreover, while there is so much uncertainty around the Brexit negotiations, consumer confidence, and business confidence to spend on investing, it is far too early to be confident about how the next two to three years will actually pan out.

**EZ.** Economic growth in the eurozone (EZ), (the UK's biggest trading partner), had been lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of QE. However, growth picked up in 2016 and has now gathered substantial strength and momentum thanks to this stimulus. GDP growth was 0.6% in quarter 1 (2.0% y/y), 0.7% in quarter 2 (2.3% y/y) and +0.6% in quarter 3 (2.5% y/y). However, despite providing massive monetary stimulus, the European Central Bank is still struggling to get inflation up to its 2% target and in October inflation was 1.4%. It is therefore unlikely to start on an upswing in rates until possibly 2019. It has, however, announced that it will slow down its monthly QE purchases of debt from €60bn to €30bn from January 2018 and continue to at least September 2018.

**USA.** Growth in the American economy was notably erratic and volatile in 2015 and 2016. 2017 is following that path again with quarter 1 coming in at only 1.2% but quarter 2 rebounding to 3.1% and quarter 3 coming in at 3.0%. Unemployment in the US has also fallen to the lowest level for many years, reaching 4.1%, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has started on a gradual upswing in rates with four increases in all and three increases since December 2016; and there could be one more rate rise in 2017, which would then lift the central rate to 1.25 – 1.50%. There could then be another four increases in 2018. At its September meeting, the Fed said it would start in October to gradually unwind its \$4.5 trillion balance sheet holdings of bonds and mortgage backed securities by reducing its reinvestment of maturing holdings.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

**JAPAN.** has been struggling to stimulate consistent significant growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

### **Brexit timetable and process**

- March 2017: UK government notifies the European Council of its intention to leave under the Treaty on European Union Article 50
- March 2019: initial two-year negotiation period on the terms of exit. In her Florence speech in September 2017, the Prime Minister proposed a two year transitional period after March 2019.
- UK continues as a full EU member until March 2019 with access to the single market and tariff free trade between the EU and UK. Different sectors of the UK economy will leave the single market and tariff free trade at different times during the two year transitional period.
- The UK and EU would attempt to negotiate, among other agreements, a bi-lateral trade agreement over that period.

- The UK would aim for a negotiated agreed withdrawal from the EU, although the UK could also exit without any such agreements in the event of a breakdown of negotiations.
- If the UK exits without an agreed deal with the EU, World Trade Organisation rules and tariffs could apply to trade between the UK and EU - but this is not certain.
- On full exit from the EU: the UK parliament would repeal the 1972 European Communities Act.
- The UK will then no longer participate in matters reserved for EU members, such as changes to the EU's budget, voting allocations and policies.

## INTEREST RATE FORECAST

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

This page is intentionally left blank

## Overview and Scrutiny Committee

---

Held at Council Chamber, Ryedale House, Malton  
on Thursday 5 October 2017

### Present

---

Councillors Clark (Chairman), Frank, Gardiner and Thornton

### In Attendance

---

Will Baines, Beckie Bennett, Fiona Casson and Jos Holmes

Martin Miles, Kevan Murray and Rachael Barnes from Everyone Active

### Minutes

---

#### 40 Apologies for absence

Apologies for absence were received from Councillors Acomb, Cussons, Keal and Sanderson.

#### 41 Minutes of the meeting held on 22 June and 13 July 2017

##### Decision

That the minutes of the meeting of the Overview and Scrutiny Committee held on 22 June and 13 July 2017 be approved and signed by the Chairman as a correct record.

##### Voting Record

3 For

0 Against

1 Abstentions

#### 42 Urgent Business

There was one item of urgent business which the Chairman considered should be dealt with as a matter of urgency by virtue of Section 100B(4)(b) of the Local Government Act 1972 (as amended).

The Chairman requested that a letter be written to Scarborough and Ryedale CCG to outline the procurement process for adult community health services in the area.

##### Voting Record

4 For

0 Against

0 Abstentions

#### 43 Declarations of Interest

The following declarations of interest were made:

Councillors Clark, Thornton and Gardiner declared personal pecuniary but not prejudicial interests in relation to Item 6 as they had all been lobbied by members of the swimming clubs

**44 Report of Everyone Active on the third year of the Leisure contract for Ryedale DC**

Considered – Report of the Frontline and Delivery Services Lead.

**Decision**

That the report be noted, and that the Overview and Scrutiny Committee conduct a Scrutiny Review of the provision of swimming facilities in Ryedale, with particular interest in children's swimming.

Voting Record

4 For

0 Against

0 Abstentions

**45 Scrutiny Reviews - Progress Report**

Considered – Report of the Frontline and Delivery Services Lead.

**Decision**

It is recommended that Members:

(i) note the progress report for previous scrutiny review recommendations.

Voting Record

4 For

0 Against

0 Abstentions

**46 Local Government Ombudsman Annual letter 2017**

Considered – LGO Annual Letter.

**Decision**

That the Annual Letter from the Local Government Ombudsman be noted.

47      **Customer Complaints Q1 2017/18**

Considered – Report of the Customer Services Lead.

<p style="text-align: center;"><b>Decision</b></p>
--

<p>That the report be noted.</p>
----------------------------------

48      **Performance Review report**

Considered.

<p style="text-align: center;"><b>Decision</b></p>
--

<p>That the report be noted.</p>
----------------------------------

49      **Decisions from other Committees**

The minutes of the Policy and Resources Committee on 21 September were presented.





50      **Any other business that the Chairman decides is urgent.**

There being no other business, the meeting closed at 8:55pm

This page is intentionally left blank

## SUSTAINABLE GROWTH





This Council wants to do all it can to create the conditions for economic success in our area. We also want Ryedale residents to have the skills, opportunities and living conditions that allow them to benefit from a healthy local economy and enjoy a good quality of life. A supply of local labour with the right skills is also essential for our businesses. To support both our businesses and our communities we also need new homes, particularly affordable homes for local people. We can only influence and seek to facilitate these matters in partnership with others. To guide our policies, proposals and priorities we monitor our relative performance in terms of the key baseline issues of: Employment and benefit claimant levels, Wage levels, Qualifications and education, Supply of homes (market and affordable) and housing sites. Housing affordability, including fuel poverty, Dealing with homelessness. Where local performance doesn't reflect our ambitions for our economy and communities, we will work with the appropriate partners to seek to address this through the most deliverable means. The Council has approved the Local Plan Sites Document for publication and submission for Examination early in 2018. This will lead to the completion the current Local Plan which will provide greater certainty to developers.

	<b>EMPLOYMENT</b>	<b>Pages 3-4</b>	<b>External Partnerships and Place Specialists</b>
	<b>SKILLS</b>	<b>Pages 5-6</b>	<b>External Partnerships and Place Specialists</b>
	<b>HOUSING</b>	<b>Pages 6-9</b>	<b>People Specialists</b>
	<b>ENVIRONMENT</b>	<b>Page 9</b>	<b>Environment Specialists</b>

## CUSTOMERS AND COMMUNITIES



Following the implementation of the new operating model for the Council, customer facing services such as Council tax collection and rebate and housing benefit have maintained performance levels. The community team are developing new ways of working with parishes and communities, and working closely with partners including the fire and fire services. The changes in circumstances processing performance in benefits has improved in this quarter following targeted work.

In terms of supporting the growth agenda the Council has continued to determine major applications in a timely manner with 99% of major applications determined in time and/or agreed extensions of time. The Specialist Place Team is slightly below target in the year to date on 'minor' and 'other development' categories.

	<b>COUNCIL TAX AND BENEFITS</b>	<b>Pages 10-11</b>	<b>Customer Services (People)</b>
	<b>PLANNING</b>	<b>Pages 12-14</b>	<b>Customer Services (Place)</b>
	<b>RECYCLING</b>	<b>Pages 14-15</b>	<b>Operations</b>
	<b>CUSTOMERS</b>	<b>Pages 15-16</b>	<b>Customer Services</b>

## ONE RYEDALE

Overall, income levels are performing well against budget. Development Management fees and income from recyclates are significantly above budget, however Trade Waste income and Car Park ticket income are currently below budgeted levels.

	<b>FINANCE</b>	<b>Pages 16</b>	<b>Resources and Enabling Services</b>
	<b>HUMAN RESOURCES</b>	<b>Page 17</b>	<b>Human Resources</b>

## Improving PIs

...	Title	Value	Target	Last Update	
✓	Length of stay in temporary accommodation (B&B, weeks) Snapshot	1.00 weeks	4.00 weeks	Q3 2017/18	Page 8
✓	Speed of processing - new HB/LCTS claims	11.0 days	25.0 days	Q3 2017/18	Page 11
✓	% CO2 reduction from LA operations.	8.8%	18.5%	2016/17	Page 9
✓	Speed of processing - changes of circumstances for HB/LCTS claims	9.0 days	12.0 days	Q3 2017/18	Page 11
⚙️ ✓	Average number of Working Days Lost Due to Sickness Absence per FTE, RYEDALE	5.96 days	7.50 days	2016/17	Page 18

← 1 of 5 →

## Deteriorating PIs

...	Title	Value	Target	Last Update	
●	Number of affordable homes delivered (gross)	8	75	2017/18	Page 9
⚙️ ●	% Households in Ryedale in Fuel Poverty (Low Income High Cost)	15.9%	10.6%	2014/15	Page 8
✓	% of Household Waste Recycled	20.24%	20.00%	2017/18	Page 14
✓	Processing of planning applications: Major applications (13 weeks)	94.00%	70.00%	Q3 2017/18	Page 12
✓	Prevention of Homelessness through Advice and Proactive Intervention (values and tar...	47	39	Q3 2017/18	Page 8

← 1 of 2 →

## Improving and Deteriorating PIs

### As of 17 January 2018

## SUSTAINABLE GROWTH

- Promoting a strong economy with thriving business and supporting infrastructure
- Capitalising on our culture, leisure and tourism opportunities
- Managing the environment of Ryedale with partners
- Enabling the provision of housing that meets existing and anticipates future need
- Minimising homelessness, improving the standard and availability of rented accommodation and supporting people to live independently

Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
---------------	------------	-------------	---------------	----------------	------------	-------------

## EMPLOYMENT



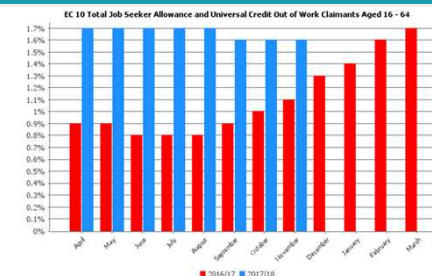
Total Job Seeker Allowance and Universal Credit Out of Work Claimants Aged 16 – 64

Yorkshire & Humber: 2.2%  
Great Britain: 1.9%  
**Monthly indicator**

1.6%  
November 2017

1.5%  
2017/18

Julian Rudd



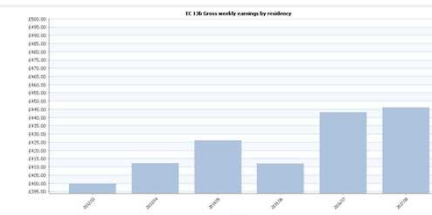
Gross weekly earnings by residency

Yorkshire & Humber:  
£502.30  
Ryedale is the lowest in the region  
Great Britain: £552.70  
**Annual indicator**

£446  
2017/18


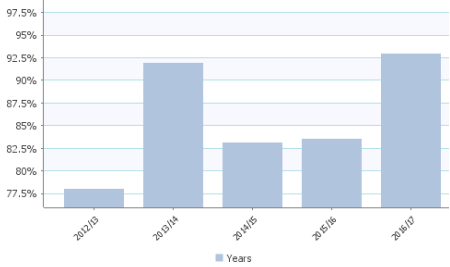

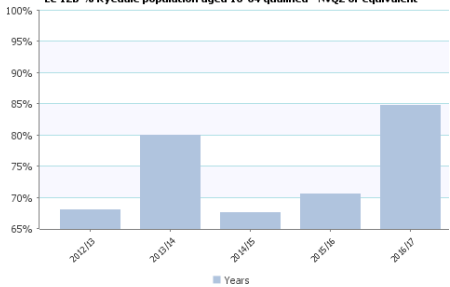

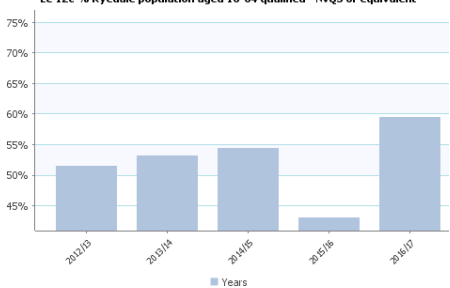
£460  
2018/19


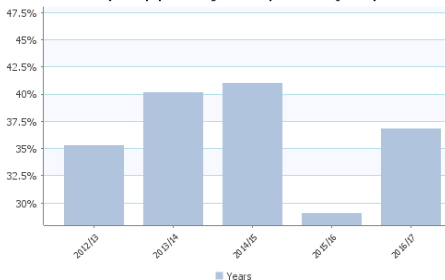
Julian Rudd


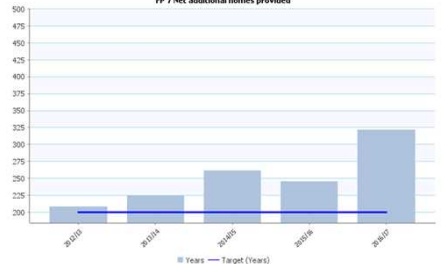




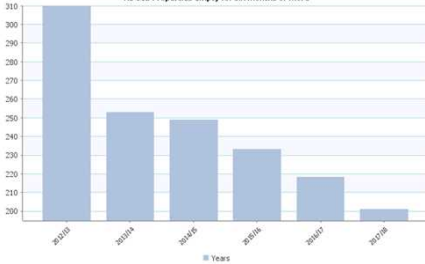
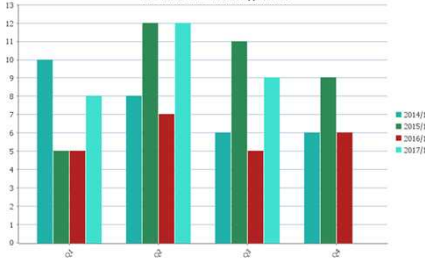
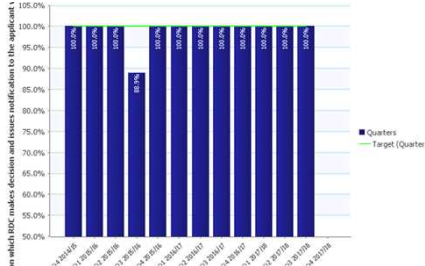


## SKILLS

Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
	% Ryedale population aged 16–64 qualified – NVQ1 or equivalent	e.g. fewer than 5 GCSEs at grades A–C, foundation GNVQ, NVQ 1 28,600 of the population in Ryedale qualified to this level <b>Annual indicator</b>	92.9% 2016/17	95% 2017/18	Julian Rudd	<p>EC 12a % Ryedale population aged 16–64 qualified – NVQ1 or equivalent</p> 
	% Ryedale population aged 16–64 qualified – NVQ2 or equivalent	e.g. 5 or more GCSEs at grades A–C, intermediate GNVQ, NVQ 2 26,200 of the population in Ryedale qualified to this level <b>Annual indicator</b>	84.8% 2016/17	85% 2017/18	Julian Rudd	<p>EC 12b % Ryedale population aged 16–64 qualified – NVQ2 or equivalent</p> 
	% Ryedale population aged 16–64 qualified – NVQ3 or equivalent	e.g. 2 or more A levels, advanced GNVQ, NVQ 3 18,400 of the population in Ryedale qualified to this level <b>Annual indicator</b>	59.5% 2016/17	65% 2017/18	Julian Rudd	<p>EC 12c % Ryedale population aged 16–64 qualified – NVQ3 or equivalent</p> 

Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
	% Ryedale population aged 16–64 qualified – NVQ4 or equivalent	e.g. HND, Degree and Higher Degree level qualifications 11,300 of the population in Ryedale qualified to this level <b>Annual indicator</b>	36.8% 2016/17	40% 2017/18	Julian Rudd	<p>EC 12d % Ryedale population aged 16-64 qualified - NVQ4 or equivalent</p> 

HOUSING						
Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
	Net additional homes provided	Encourage a greater supply of new homes in England to address the long term housing affordability issue. <b>Annual indicator</b>	321 2016/17	200	Jill Thompson	<p>FP 7 Net additional homes provided</p> 
	Supply of deliverable housing sites	Planning Policy Statement 3 (PPS3) requires Local Planning Authorities to maintain a 5 year supply of deliverable sites for housing through their Local Development Framework <b>Annual indicator</b>	116.0% 2016/17	100.0%	Jill Thompson	<p>FP 8 Supply of deliverable housing sites</p> 

Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart																												
<div><div></div></div>	Properties empty for six months or more	Figure for empty properties for 6 months or more as stated in the CTB1 annual return in October. 2017 figure shows downward trend in recent years continuing. A +/- movement in this indicator affects the annual calculation of New Homes Bonus. <b>Annual indicator</b>	201 2017/18	218	Peter Johnson	<div><div>HS 11b Properties empty for six months or more</div><table border="1"><thead><tr><th>Year</th><th>Value</th></tr></thead><tbody><tr><td>2010</td><td>300</td></tr><tr><td>2011</td><td>250</td></tr><tr><td>2012</td><td>245</td></tr><tr><td>2013</td><td>225</td></tr><tr><td>2014</td><td>215</td></tr><tr><td>2015</td><td>205</td></tr><tr><td>2016</td><td>200</td></tr><tr><td>2017</td><td>200</td></tr><tr><td>2018</td><td>200</td></tr></tbody></table></div>	Year	Value	2010	300	2011	250	2012	245	2013	225	2014	215	2015	205	2016	200	2017	200	2018	200								
Year	Value																																	
2010	300																																	
2011	250																																	
2012	245																																	
2013	225																																	
2014	215																																	
2015	205																																	
2016	200																																	
2017	200																																	
2018	200																																	
<div><div></div></div>	Number of Homeless applications	We have seen a decrease in the number of Homeless applications received this quarter. It is comparative to this quarter in previous years. <b>Quarterly indicator</b>	9 Q3 2017/18	13	Kim Robertshaw	<div><div>HS 5 Number of Homeless Applications</div><table border="1"><thead><tr><th>Quarter</th><th>2014/15</th><th>2015/16</th><th>2016/17</th><th>2017/18</th></tr></thead><tbody><tr><td>Q3</td><td>10</td><td>5</td><td>5</td><td>9</td></tr><tr><td>Q4</td><td>8</td><td>12</td><td>7</td><td>12</td></tr><tr><td>Q1</td><td>6</td><td>11</td><td>5</td><td>9</td></tr><tr><td>Q2</td><td>6</td><td>9</td><td>6</td><td>9</td></tr></tbody></table></div>	Quarter	2014/15	2015/16	2016/17	2017/18	Q3	10	5	5	9	Q4	8	12	7	12	Q1	6	11	5	9	Q2	6	9	6	9			
Quarter	2014/15	2015/16	2016/17	2017/18																														
Q3	10	5	5	9																														
Q4	8	12	7	12																														
Q1	6	11	5	9																														
Q2	6	9	6	9																														
<div><div></div></div>	Homeless applications on which RDC makes decision and issues notification to the applicant within 33 working days	All homeless applications submitted were dealt with in the 33 working day timeframe. <b>Quarterly indicator</b>	100.0% Q3 2017/18	100.0%	Kim Robertshaw	<div><div>HS 5 on which RDC makes decision and issues notification to the applicant within 33 working days</div><table border="1"><thead><tr><th>Quarter</th><th>Value</th></tr></thead><tbody><tr><td>Q3 2014/15</td><td>100.0%</td></tr><tr><td>Q4 2014/15</td><td>100.0%</td></tr><tr><td>Q1 2015/16</td><td>100.0%</td></tr><tr><td>Q2 2015/16</td><td>100.0%</td></tr><tr><td>Q3 2015/16</td><td>100.0%</td></tr><tr><td>Q4 2015/16</td><td>100.0%</td></tr><tr><td>Q1 2016/17</td><td>100.0%</td></tr><tr><td>Q2 2016/17</td><td>100.0%</td></tr><tr><td>Q3 2016/17</td><td>100.0%</td></tr><tr><td>Q4 2016/17</td><td>100.0%</td></tr><tr><td>Q1 2017/18</td><td>100.0%</td></tr><tr><td>Q2 2017/18</td><td>100.0%</td></tr><tr><td>Q3 2017/18</td><td>100.0%</td></tr></tbody></table></div>	Quarter	Value	Q3 2014/15	100.0%	Q4 2014/15	100.0%	Q1 2015/16	100.0%	Q2 2015/16	100.0%	Q3 2015/16	100.0%	Q4 2015/16	100.0%	Q1 2016/17	100.0%	Q2 2016/17	100.0%	Q3 2016/17	100.0%	Q4 2016/17	100.0%	Q1 2017/18	100.0%	Q2 2017/18	100.0%	Q3 2017/18	100.0%
Quarter	Value																																	
Q3 2014/15	100.0%																																	
Q4 2014/15	100.0%																																	
Q1 2015/16	100.0%																																	
Q2 2015/16	100.0%																																	
Q3 2015/16	100.0%																																	
Q4 2015/16	100.0%																																	
Q1 2016/17	100.0%																																	
Q2 2016/17	100.0%																																	
Q3 2016/17	100.0%																																	
Q4 2016/17	100.0%																																	
Q1 2017/18	100.0%																																	
Q2 2017/18	100.0%																																	
Q3 2017/18	100.0%																																	





Number of affordable homes delivered

The forecast for 2017/18 is 50 expected affordable home units to be delivered, although this is subject to change.

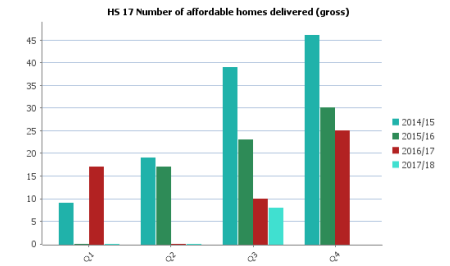
**Annual indicator**

2016/17: 52 delivered

8  
Q3 2017/18

75  
(35% of the 200 additional homes target)

Kim Robertshaw

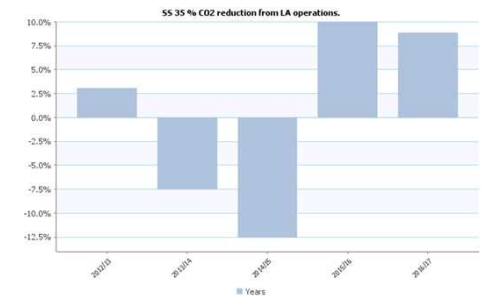


## ENVIRONMENT

Page 111



Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
	Number of monitoring locations exceeding the annual mean Nitrogen Dioxide objective level	Monthly monitoring continues as part of the Air Quality Management Action Plan in Malton.	0 2016/17	1 2015/16	Beckie Bennett	
	% CO2 reduction from LA operations.	CO2 emission reduction key by local authorities likely to be key to achieving the Government's climate change objectives	8.8% 2016/17	18.5% 2015/16	Beckie Bennett	





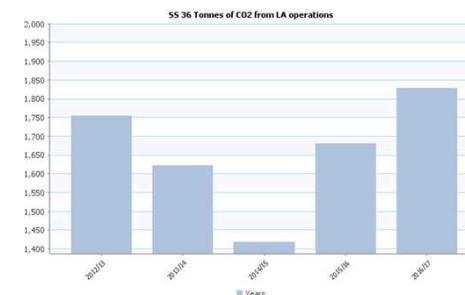
Tonnes of CO2 from LA operations

CO2 emission reduction key by local authorities likely to be key to achieving the Government's climate change objectives

1,828  
2016/17

1,680  
2016/17

Beckie Bennett



## CUSTOMERS AND COMMUNITIES

- Designing all of our services with the customer at the heart of everything we do
- Making the best use of resources to ensure maximum benefit for all customers and communities across the district, particularly the most vulnerable
- Helping our partners to keep our communities safe and healthy
- Supporting communities to identify their needs, plan and develop local solutions and resilience

Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
---------------	------------	-------------	---------------	----------------	------------	-------------

## COUNCIL TAX AND BENEFITS



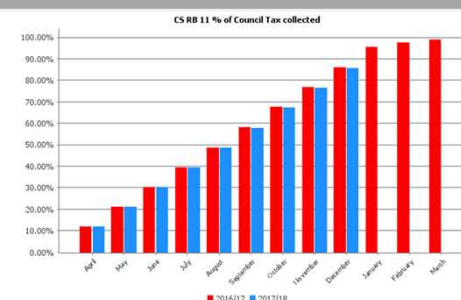
% of Council Tax collected

Percentage of Council Tax collected by the Authority in the year  
**Monthly indicator**

85.5%  
Up to end of Dec  
2017

85.92%

Angela Jones



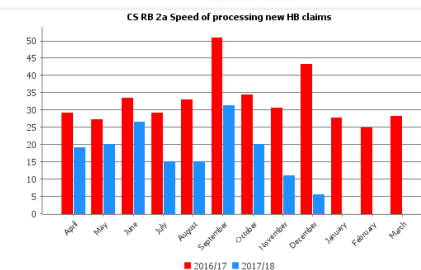
Speed of processing new HB claims

Average number of days taken to process new claims for Housing Benefit.  
September 2016: 50.8 days  
**Monthly indicator**

5.5 days  
Up to end of Dec  
2017

25 days



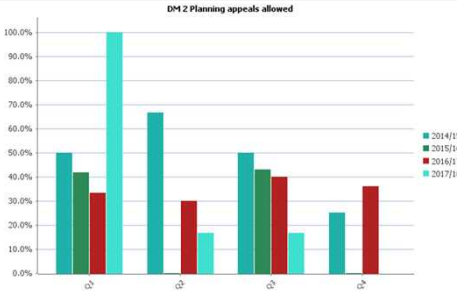
Angela Jones


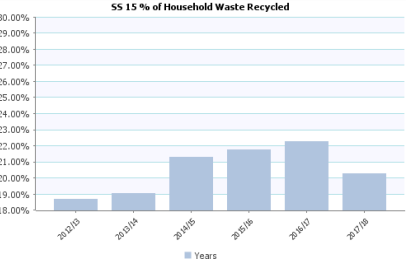


Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
	Speed of processing HB change events	Number of days taken to process change events relating to Housing Benefit claims. Currently operating below target. <b>Monthly indicator</b>	6 days Up to end of Dec 2017	12 days	Angela Jones	
	Speed of processing CTR change events	Current backlog, action plan in place and is currently reducing <b>Monthly indicator</b>	14 days Up to end of Dec 2017	12 days	Angela Jones	
	Speed of processing – changes of circumstances for HB/LCTS claims	Performance now much improved and now operating under target. <b>Monthly indicator</b>	10.0 days Up to end of Dec 2017	12 days	Angela Jones	

Page 113



Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
	Standard searches completed in 10 working days	<b>Quarterly indicator</b>	99.2% Q3 2017/18	100.0%	Angela Jones	
	Planning Appeals allowed	As with previous years the overall number of appeals is very low so the performance out turn can be volatile. <b>Quarterly indicator</b>	16.7% Q3 2017-18	33%	Gary Housden	

RECYCLING						
Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
	% of Household Waste Recycled	20.24% accumulative Apr 2017 – Dec 2017	20.24%	20.00%	Beckie Bennett	

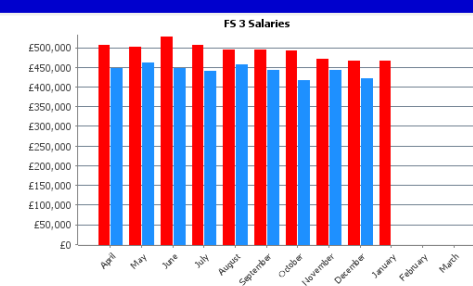
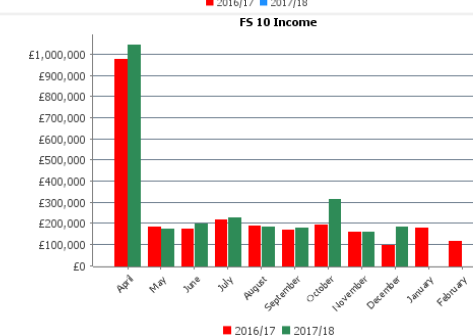
Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
✓	% of Household Waste Recycled	20.24% accumulative Apr 2017 – Dec 2017	20.24%	20.00%	Beckie Bennett	<p>SS 15 % of Household Waste Recycled</p>
✓	Residual household waste – kg per household	328.51 kg/hh Estimate from Apr–Dec 2017 pre-Waste Data Flow confirmation	328.51kg/hh	337.50kg/hh	Beckie Bennett	<p>SS 191 Residual household waste - kg per household</p>
✓	% of household waste sent for reuse, recycling and composting	49.53% Est Apr – Dec 2017 pre waste dataflow	49.53%	43.00%	Beckie Bennett	<p>SS 192 % of household waste sent for reuse, recycling and composting</p>
CUSTOMERS						
Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
?	Service enquiries resolved at first point of contact (telephone)	Service enquiries resolved at first point of contact by telephone excluding dial direct to extension calls	Under review		Angela Jones	
?	Payments made using electronic channels	Payments made using electronic channels (web, telephone & Direct Debit)	Under review		Angela Jones	

Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
	% of Food establishments in the area broadly compliant with food hygiene law	To protect public health by ensuring food is safe and fit to eat by monitoring local authorities' performance in increasing compliance in food establishments with food law. <b>Annual indicator</b>	88%	72%	Robert Robinson	
	% FOI Requests responded to within 20 working days	October 2017: 84% November 2017: 91.5% December 2017: 78.6% <b>Quarterly indicator</b>	84.7% Q3 2017/18	95%	Angela Jones	
	Adult participation in sport and active recreation. Sport England Active People Survey	To measure participation in sport and active recreation at the local level. <b>Annual indicator</b>	35.5% 2016/17	32.7% 2015/16	Jos Holmes	

Page 17

## ONE RYEDALE

- Working together as One Ryedale, members and staff share the PROUD values and behaviours
- Utilising assets in supporting the delivery of priorities
- Developing business opportunities for the council and optimise income
- Building capacity and influencing policy in partnership
- Enabling services through the innovative use of ICT
- Delivering the Towards 2020 programme and anticipating further savings required to 2022

Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
<b>FINANCE</b>						
✓	Salaries up to end of Dec 2017	This analysis excludes salaries incurred for NYBCP, Capital Schemes and agencies.	£3,978,147	£4,111,464	Peter Johnson	 <p><b>FS 3 Salaries</b></p> <p>This bar chart displays monthly salaries from April to March. The y-axis represents the amount in pounds, ranging from £0 to £500,000 in increments of £50,000. The x-axis lists the months. Red bars represent the 2016/17 financial year, and blue bars represent the 2017/18 financial year. Salaries are generally higher in the first half of the year (April to June) and lower in the second half (October to March).</p>
✓	Income up to end of Dec 2017	This indicator is made up of the following income streams: land charges, development management fees, property rents, Ryecare, recovery of HB overpayments, garden waste, trade waste, car parking and recycles.	£2,661,544	£2,305,908	Peter Johnson	 <p><b>FS 10 Income</b></p> <p>This bar chart displays monthly income from April to March. The y-axis represents the amount in pounds, ranging from £0 to £1,000,000 in increments of £100,000. The x-axis lists the months. Red bars represent the 2016/17 financial year, and green bars represent the 2017/18 financial year. Income is highest in April and May, then drops significantly for the remainder of the year.</p>

Traffic Light	Short Name	Description	Current Value	Current Target	Managed By	Trend Chart
✓	Business Rates – Retained Income up to end of Dec 2017	Monthly indicator	£1,868,879	£1,775,000	Peter Johnson	<p>FS 14 Business Rates - Retained Income</p> <p>■ Months — Target (Months) — Forecast (Months)</p>

## HUMAN RESOURCES

✓	Average number of working days lost to sickness absence (per FTE)	<p>2017/18 data</p> <p>Value: 3.4 days</p> <p>Target: 4.37 days</p> <p>Work continues to refine this PI</p> <p>Annual indicator</p>	5.96 days	7.5 days	Denise Hewitt	<p>HR A 01 R Average number of Working Days Lost Due to Sickness Absence per FTE, RYEDALE</p> <p>■ Years — Target (Years)</p>
---	---	---	-----------	----------	---------------	---

This page is intentionally left blank

# Complaints Q3 2017-18

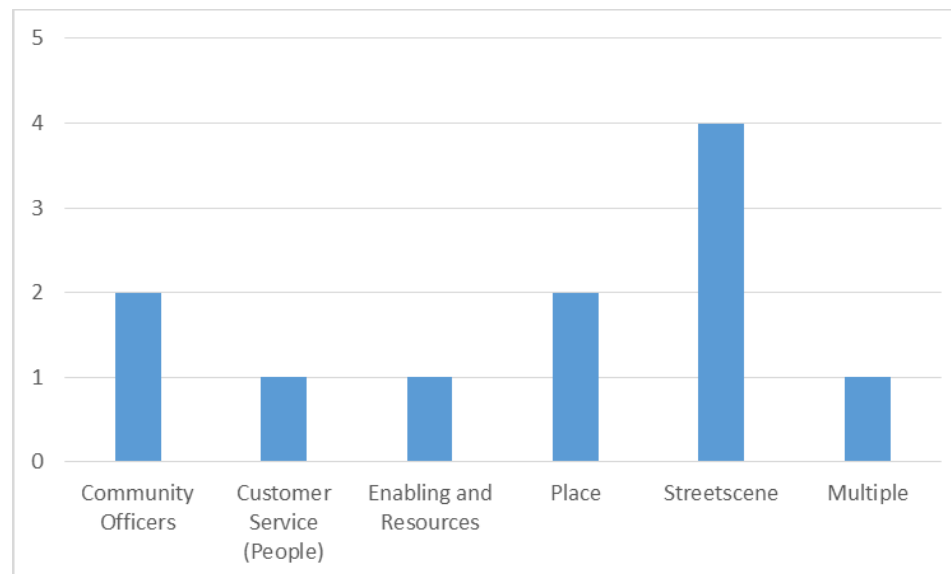
Generated on: 10 January 2018



## Complaint Type Description



- Complaints regarding conduct, attitude and actions of employees = 1
- Dissatisfaction with the way Council policies are carried out = 3
- Failure to achieve standards of service = 2
- Failure to provide a service = 5



## Community Officers

Summary of Complaint	Complaint Type	Complaint Remedy	Additional Action	Ward	Stage of Complaint	Opened Date	Closed Date	Total
Welcome to Yorkshire	Failure to provide a service	Explanation Given		Outside area	Initial complaint	05-Oct-2017	11-Oct-2017	2
Advice received	Complaints regarding conduct, attitude and actions of employees	Process Review		Malton	Initial complaint	24-Nov-2017	12-Dec-2017	

Customer Service People								
Summary of Complaint	Complaint Type	Complaint Remedy	Additional Action	Ward	Stage of Complaint	Opened Date	Closed Date	Total
Council Tax complaint	Dissatisfaction with the way Council policies are carried out	Explanation Given		Sherburn	Initial complaint	02-Oct-2017	04-Dec-2017	1

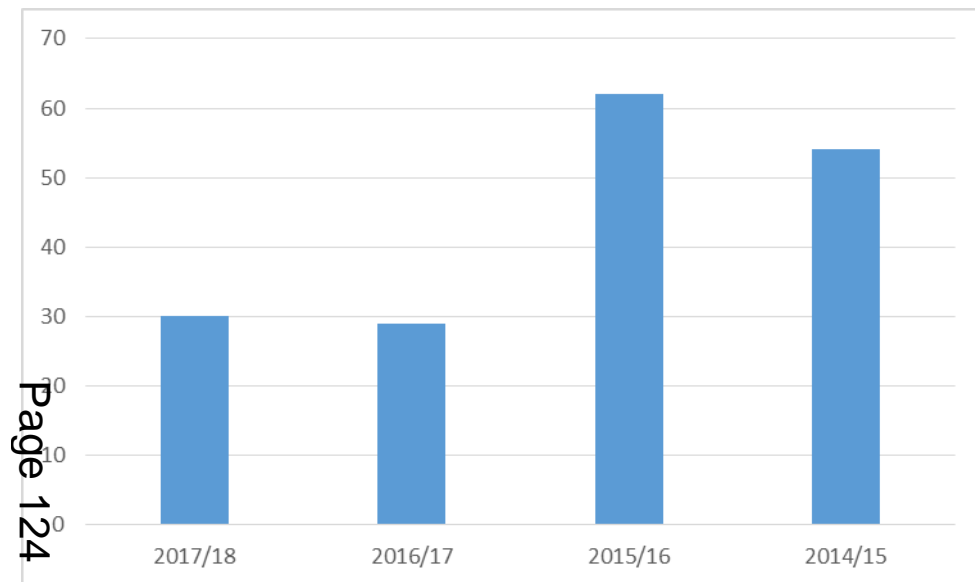
Enabling & Resources (ER)								
Summary of Complaint	Complaint Type	Complaint Remedy	Additional Action	Ward	Stage of Complaint	Opened Date	Closed Date	Total
The Ropery, Pickering	Dissatisfaction with the way Council policies are carried out	Explanation Given		Pickering West	Initial complaint	13-Nov-2017	03-Jan-2018	1

Place								
Summary of Complaint	Complaint Type	Complaint Remedy	Additional Action	Ward	Stage of Complaint	Opened Date	Closed Date	Total
Planning application 16/01770	Failure to provide a service	Written Apology		Kirkbymoorside	Initial complaint	02-Oct-2017	06-Oct-2017	2
Application 15/00738/73A - 2 Dwellings at Chapel Road/Forker's Lane, Settrington	Failure to achieve standards of service	Explanation Given		Malton	Formal complaint	05-Oct-2017	10-Nov-2017	

Streetscene (SS)								
Summary of Complaint	Complaint Type	Complaint Remedy	Additional Action	Ward	Stage of Complaint	Opened Date	Closed Date	Total
Garden Waste Collection (4 The Croft, Nunnington, YO62 5UT)	Failure to provide a service	Explanation Given		Sinnington	Initial complaint	26-Oct-2017	01-Nov-2017	4
Garden Waste collection	Failure to provide a service	Process Review		Sherburn	Formal complaint	27-Oct-2017	30-Nov-2017	
Recycling Waste Collection	Failure to achieve standards of service	Explanation Given		Thornton Dale	Initial complaint	03-Nov-2017	07-Nov-2017	
Refuse Collection	Dissatisfaction with the way Council policies are carried out	Explanation Given		Wolds	Formal complaint	12-Dec-2017	02-Jan-2018	

Multiple service areas								
Summary of Complaint	Complaint Type	Complaint Remedy	Additional Action	Ward	Stage of Complaint	Opened Date	Closed Date	Total
Complaint	Failure to provide a service	Explanation Given and Written apology		Norton East	Initial complaint	10-Oct-2017	27-Oct-2017	1
TOTAL								11

### Number of corporate complaints received (As of 31/12/2017)



Year	Number of Complaints
<b>2017/18 (as of 31/12/17)</b>	<b>30</b>
2016/17	29
2015/16	62
2014/15	54

### 2017/18 (As of 31/12/2017)

Department	2017/18 complaints	Completed within 5 working days
Customer Services	5	50%
Place Team	8	33%
Streetscene	10	83%
Community Team	3	100%
Facilities	2	50%
Resources and Enabling	1	0%
Multiple service areas	1	0%
	<b>30</b>	

**2016/17**

<b>Department</b>	<b>2017/18 complaints</b>	<b>Completed within 5 working days</b>
Revenues and Benefits	6	33.3%
Development Management/Place	11	27.3%
Economy and Community	1	100%
Facilities	2	100%
Health and Environment	2	100%
Legal Services	2	50%
Streetscene	5	75%
	<b>29</b>	

**2015/16**

<b>Department</b>	<b>2015/16 complaints</b>	<b>Completed within 5 working days</b>
Access to Services	6	100%
Revenues and Benefits	12	83%
Development Management/Place	12	67%
Democratic Services	6	100%
Facilities	3	33%
Health and Environment	3	67%
Housing Services	3	33%
Human Resources	2	100%
ICT	1	100%
Legal Services	4	25%
Streetscene	10	90%
	<b>62</b>	

This page is intentionally left blank




---

<b>REPORT TO:</b>	<b>OVERVIEW AND SCRUTINY COMMITTEE (SCRUTINY)</b>
<b>DATE:</b>	<b>25 JANUARY 2018</b>
<b>REPORT OF THE:</b>	<b>DELIVERY AND FRONT LINE SERVICES LEAD BECKIE BENNETT</b>
<b>TITLE OF REPORT:</b>	<b>SCRUTINY REVIEWS - PROGRESS REPORT</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

---

## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

- 1.1 To provide an update on progress with implementing the recommendations agreed resulting from previous scrutiny reviews.

### **2.0 RECOMMENDATIONS**

- 2.1 It is recommended that Members:
- (i) note the progress report for previous scrutiny review recommendations.

### **3.0 REASON FOR RECOMMENDATIONS**

- 3.1 To keep the Members of the Scrutiny Committee apprised of the progress with implementing recommendations made following previous reviews (Summary table attached at Annex A).

### **4.0 SIGNIFICANT RISKS**

- 4.1 No significant risks have been identified

### **5.0 POLICY CONTEXT AND CONSULTATION**

- 5.1 Scrutiny reviews link to all the Councils Corporate Plan Priorities: Sustainable Growth, Customer and Communities and One Ryedale.

### **6.0 REPORT DETAILS**

- 6.1 The table attached at Annex A details the recommendations agreed following previous scrutiny reviews and provides an update on progress.

### **7.0 IMPLICATIONS**

- 7.1 The following implications have been identified:

- a) Financial  
None
- b) Legal  
None
- c) Other (Equalities, Staffing, Planning, Health & Safety, Environmental, Crime & Disorder)  
None

**BECKIE BENNETT**  
**DELIVERY AND FRONTLINE SERVICES LEAD**

Author : Beckie Bennett, Delivery and Frontline Services Lead  
Telephone No: 01653 600666 ext: 483  
E-Mail Address: [beckie.bennett@ryedale.gov.uk](mailto:beckie.bennett@ryedale.gov.uk)

**Background Papers:**

Links to final reports have been included in the table attached at Annex A

Scrutiny Review of Provision of Swimming Lessons in Ryedale District Councils Swimming Pools	
<p><b>Terms of Reference (approved 2 Nov 17)</b></p> <p><b>Aim of the Review:</b> To consider the current 10 year contract between RDC and Everyone Active and understand</p> <ul style="list-style-type: none"> <li>- the provision of swimming lessons</li> <li>- the potential consequences for swimming clubs and</li> </ul> <p><b>Why has this review been selected?</b> The issue of swimming lesson provision was raised at Scrutiny Committee on 5 October 2017 by Everyone Active as part of their annual report to the committee.</p> <p>Ryedale Swimming Club attended this committee and raised concerns about the planned changes Everyone Active were going to make to the provision of swimming lessons.</p> <p><b>Who will carry out the review?</b> The review will be carried out by a task group including:</p> <ul style="list-style-type: none"> <li>• A minimum of 2 members of the O and S committee (but open to all members of O and S)</li> <li>• Support will be provided by the Delivery and Frontline Services Lead, the Senior Commissioning Officer and the Projects, Programmes and Performance Officer</li> <li>• With input from other officers as required, including the Monitoring Officer</li> </ul>	<p>Scrutiny Task Group meetings held to fact find and gather information regarding the provision of swimming lessons in RDC's swimming pools on 26 October 2017 with Derwent Valley and Ryedale Swimming Clubs and on 18 December 2017 with Everyone Active.</p>

<p><b>How the review will be carried out?</b></p> <p>The task group will consider the current contractual arrangement between the Council and Everyone Active and in particular the terms relating to pool activities and the provision of swimming lessons.</p> <p>The review will include consultation with Everyone Active and two swimming clubs, Derwent Valley and Ryedale Swimming Clubs.</p> <p><b>What are the expected outputs?</b></p> <p>It is expected that the task group will produce a report, summarising the evidence they have gathered to enable a proposed way forward for the provision of swimming lessons.</p> <p><b>Timescale</b></p> <p>It is anticipated that the group will conclude the outcomes of the review by February 2018. Progress reports will be submitted to the committee if required during the review.</p>	
<b>Scrutiny Review of Staff Survey Results</b>	
<b>Work in progress</b>	
<b>Scrutiny Review of Meeting Start Times and Management of Meetings - <a href="#">link to final report</a></b>	
<b>Recommendations - As agreed by Overview &amp; Scrutiny</b>	
(i) That the Constitution be amended to change the order of business for Full Council to put items for decision first;	On 21 September 2017 Policy and Resources Committee referred these recommendations to the Constitution Working Party.

<p>(ii) That the Constitution be amended to bring forward the guillotine, so that it takes effect after 3 hours;</p> <p>(iii) That the Constitution be amended to require corrections to the minutes to be submitted in writing in advance of the meeting;</p> <p>(iv) That working practices be amended so that questions to officers have to be dealt with ahead of, rather than during, meetings of Full Council;</p> <p>(v) That the Constitution be amended to require the circulation of the Leader's Statement with the agenda;</p> <p>(vi) That working practices be amended to stop reading out the Leader's Statement at meetings of Full Council.</p>	
<p><b>Scrutiny Review of the Councils Role in Flood Management considered by Council on 8 December 2016 - <a href="#">link to final report</a></b></p>	
<p><b>Recommendations as agreed by Council</b></p>	
<p>1. That RDC commits £12,000 funding (up to a maximum of 20%) to resource a project manager to progress delivery of the Malton, Norton and Old Malton Flood Study project and drive partnership working, and seeks match funding from the partners of the Malton and Norton Project Group</p>	<p>NYCC have commissioned consultants to make progress with the MN and OM flood study which may identify the need for additional PM support.</p>
<p>2. RDC commits £2.5k (20%) funding towards a CCTV monitoring survey to understand the drainage system in Old Malton.</p>	<p>A CCTV survey in Old Malton commissioned by NYCC has now been completed and details will be made available in due course. RDC has contributed £2,000 towards this CCTV survey.</p>
<p>3. That Natural Flood Management (NFM) considerations should be integral to all local flood management solutions and that RDC continues to facilitate links across the various partners and interested stakeholders endorsing a whole catchment approach</p>	<p>The Yorkshire Derwent Partnership Board are currently developing a whole catchment area set of plans with specific delivery task groups in place to achieve outcomes eg Ryevitalise and a RDC rep attends, with a key objective of these projects being to develop natural flood management solutions.</p>

	<p>The <a href="#">Ryevitalise Landscape Partnership</a> are currently in the development phase of a range of exciting projects supported by the Heritage Lottery Fund, North York Moors National Park and partners and are planning consultation over the coming months - follow this link to find out more and complete a short questionnaire</p>
<p>4. That RDC allocates a sum of £50,000 to a grant fund to support local flood solutions which will be allocated through Resources Working Party (similar to the arrangements for the allocation of Community Grants) where the criteria for allocation will also be agreed. Town and Parish Councils would be eligible to apply (including Malton and Brawby), as should any fully constituted community group, with any grant conditional on the preparation of a Community Resilience Plan to ensure sustainability and linkage to NYCC and other flood risk management partner organisations. Any contribution RDC makes towards a local solution involving equipment is on the basis that:</p> <p>a) The community group or parish council engage with NYCC to set up a community resilience group (CRG) with a Community Resilience Plan (CRP)</p> <p>b) The CRG undertake training and take responsibility for deploying and insuring the pump with sign off from NYCC</p> <p>c) That the Resources Working Party make recommendations to the Policy &amp; Resources Committee on the grant applications for this fund, and that the criteria be similar to that used for the Community Grant applications ie;</p> <p>i. Grant must not exceed £5000.00 or 25% of the total cost - whichever is the lowest</p> <p>ii. Grants up to £1000 may be 100% of the total cost.</p> <p>iii. In certain circumstances the above criteria may be waived if it is felt that an application will be of exceptional benefit to a community.</p>	<p>All Parish and Town Councils have been informed of the availability of grant funding to support local flood solutions.</p> <p>Work is continuing, with several meetings already planned, to support the development of projects which may be eligible and to ensure links to NYCC and community resilience plans.</p> <p>The opportunity to apply for a flood grant is now open and communities have been invited to submit their applications for grant funding to enable the development of solutions with support from the relevant authorities.</p> <p>Two flood grant applications were approved at Policy and Resources on 21 September -one for Malton and one for Brawby.</p> <p>A third flood grant application has been made by Norton Town Council was approved by Policy and Resources on 23 November 2017.</p> <p>A total of £32,700 has been awarded from the £50,000 grant fund to date.</p> <p>.</p>

5. That the above spending be funded from the New Homes Bonus Reserve	
6. That Council may consider that funding be allocated from the New Homes Bonus towards the funding gap of £1.8m of the approved GiA scheme for the alleviation of flooding in Malton, Norton and Old Malton. That any contribution should be to a maximum of 20% of the funding gap.	The further work commissioned by NYCC to progress the M, N and OM Study will provide more detailed costings to inform future stakeholder engagement to bridge the funding gap. A bid to the LEP Growth Fund is now being progressed by NYCC to provide a business case for this project.
<b>Scrutiny Review of Assets - <a href="#">link to final report</a> considered by Council 08.09.2016</b>	
<b>Recommendations - As agreed by Council</b>	
<p>The Council policy on the management of property assets is as follows:</p> <p><b>Vision:</b></p> <p>To optimise the use of the Councils property assets in supporting the delivery of the Councils priorities and delivering best value and value for money for the residents of Ryedale</p> <p><b>Policy:</b></p> <p>To achieve best value from each property asset by:</p> <ul style="list-style-type: none"> <li>• Occupying an asset for the efficient delivery of Council services or</li> <li>• Renting to another to generate revenue income for the Council or</li> <li>• Disposing of any asset which achieves neither of the above and which could generate a receipt for the Council</li> </ul> <p><b>Principles:</b></p>	<p>A new asset management strategy is being developed by officers to enable the delivery of this policy.</p> <p>The Chief Executive reassured Members that officers would not dispose of any major assets without coming back to Council if the policy was adopted.</p> <p>Member Briefings on 11 January and 1 June 2017 linking the budget and assets.</p> <p>At the :Policy and Resources Committee on 21 September 2017 it was resolved:</p> <p>That a clear direction be provided to officers to enable the work to be undertaken for decisions to be made by Council in February 2018 for the future of the Council's Asset portfolio, as follows:</p> <ol style="list-style-type: none"> <li>a) That officers work with partners to participate in the OPE programme bid for North Yorkshire, to be submitted in November 2017</li> <li>b) Ryedale House is no longer fit for purpose and the maintenance costs are prohibitively expensive. Officers are to</li> </ol>

<ul style="list-style-type: none"> <li>• To optimise the use of operational assets</li> <li>• That fewer operational buildings is lowest cost and lowest risk to service delivery</li> <li>• To manage the councils estate to achieve the best social, economic and environmental benefit for the communities of Ryedale</li> <li>• To dispose of underutilised assets</li> <li>• To acquire assets that would support the finances of the Council and delivery of the Council priorities</li> <li>• That the proceeds of the sale of any of the assets be used to support the delivery of the Council's priorities.</li> <li>• For disposal of any Council owned asset used for car parking, decisions should be made in the context of a car parking policy.</li> </ul>	<p>prepare a business case to support a move to new premises which aims to deliver the following:</p> <ul style="list-style-type: none"> <li>• The preferred option of office accommodation on the site of the current Community House.</li> <li>• to develop proposals for a hub for public sector and voluntary and community sector partners, linked to the OPE programme.</li> <li>• When Ryedale House is no longer available, future meetings of Council to take place in the Milton Rooms and similar venues in Ryedale.</li> </ul> <p>The brief for the public sector hub to include the following:</p> <ul style="list-style-type: none"> <li>• Members to have access to a dedicated small office to accommodate 6 people, potential to provide a Leader's office if required and space for committee meetings for 10 members, officers and public seating.</li> </ul> <p>c) In the event the single public sector hub does not come to fruition, the option of locating to Harrison House is to also be considered.</p> <p>d) Housing to be built on the Ryedale House site, a proportion of which to be affordable, ensuring best value. The possibility of a joint development including neighbouring sites to be explored.</p> <p>e) The upper deck of Wentworth Street Car Park to be considered for housing as part of the OPE programme.</p> <p>f) The Council to consider relocating Streetscene services to the proposed Waste Transfer Station at Kirby Misperton.</p> <p>g) A review to take place of all Council assets to deliver the Council's Asset Management Policy.</p>
---	---

Scrutiny Review of Fuel Poverty in Ryedale - <a href="#">Link to final report</a>
Scrutiny Review of Members Involvement in Outside Bodies and as Member Champions - <a href="#">Link to final report</a>
Scrutiny Review of the Role the Council Should play in Supporting the Voluntary and Community Sector <a href="#">Link to final report</a>
Scrutiny Review of Post Offices 2010-11 <a href="#">Link to final report</a>

This page is intentionally left blank