

# Public Document Pack



Democratic Services  
White Cliffs Business Park  
Dover  
Kent CT16 3PJ

Telephone: (01304) 821199  
Fax: (01304) 872452  
DX: 6312  
Minicom: (01304) 820115  
Website: [www.dover.gov.uk](http://www.dover.gov.uk)  
e-mail: [@dover.gov.uk](mailto:democraticservices@dover.gov.uk)

13 January 2020

Dear Councillor

NOTICE IS HEREBY GIVEN THAT a meeting of the **GOVERNANCE COMMITTEE** will be held in the HMS Brave Room at these Offices on Tuesday 21 January 2020 at 6.00 pm when the following business will be transacted.

Members of the public who require further information are asked to contact Jemma Duffield on (01304) 872305 or by e-mail at [democraticservices@dover.gov.uk](mailto:democraticservices@dover.gov.uk).

Yours sincerely

A handwritten signature in black ink, appearing to read "Mark Hannent".

Chief Executive

## Governance Committee Membership:

S S Chandler  
D Hannent (Chairman)  
J P Haste  
S J Jones  
J Rose  
C A Vinson (Vice-Chairman)  
P Walker

## AGENDA

### 1      APOLOGIES

To receive any apologies for absence.

### 2      APPOINTMENT OF SUBSTITUTE MEMBERS

To note appointments of Substitute Members.

### 3      DECLARATIONS OF INTEREST (Page 3)

To receive any declarations of interest from Members in respect of business to be transacted on the agenda.

4 **MINUTES** (Pages 4 - 7)

To confirm the attached Minutes of the meeting of the Committee held on 26 September 2019.

5 **QUARTERLY INTERNAL AUDIT UPDATE REPORT** (Pages 8 - 29)

To consider the attached report of the Head of Audit Partnership (East Kent Audit Partnership).

6 **TREASURY MANAGEMENT QUARTER TWO REPORT 2019/20** (Pages 30 - 44)

To consider the attached report of the Head of Finance and Housing.

7 **ANNUAL COMPLAINTS REPORT** (Pages 45 - 47)

To consider the attached report of the Head of Governance.

**Access to Meetings and Information**

- Members of the public are welcome to attend meetings of the Council, its Committees and Sub-Committees. You may remain present throughout them except during the consideration of exempt or confidential information.
- All meetings are held at the Council Offices, Whitfield unless otherwise indicated on the front page of the agenda. There is disabled access via the Council Chamber entrance and a disabled toilet is available in the foyer. In addition, there is a PA system and hearing loop within the Council Chamber.
- Agenda papers are published five clear working days before the meeting. Alternatively, a limited supply of agendas will be available at the meeting, free of charge, and all agendas, reports and minutes can be viewed and downloaded from our website [www.dover.gov.uk](http://www.dover.gov.uk). Minutes will be published on our website as soon as practicably possible after each meeting. All agenda papers and minutes are available for public inspection for a period of six years from the date of the meeting.
- If you require any further information about the contents of this agenda or your right to gain access to information held by the Council please contact Jemma Duffield, Democratic Services Officer, telephone: (01304) 872305 or email: [democraticservices@dover.gov.uk](mailto:democraticservices@dover.gov.uk) for details.

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Declarations of InterestDisclosable Pecuniary Interest (DPI)

Where a Member has a new or registered DPI in a matter under consideration they must disclose that they have an interest and, unless the Monitoring Officer has agreed in advance that the DPI is a 'Sensitive Interest', explain the nature of that interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a DPI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation permitting them to do so. If during the consideration of any item a Member becomes aware that they have a DPI in the matter they should declare the interest immediately and, subject to any dispensations, withdraw from the meeting.

Other Significant Interest (OSI)

Where a Member is declaring an OSI they must also disclose the interest and explain the nature of the interest at the meeting. The Member must withdraw from the meeting at the commencement of the consideration of any matter in which they have declared a OSI and must not participate in any discussion of, or vote taken on, the matter unless they have been granted a dispensation to do so or the meeting is one at which members of the public are permitted to speak for the purpose of making representations, answering questions or giving evidence relating to the matter. In the latter case, the Member may only participate on the same basis as a member of the public and cannot participate in any discussion of, or vote taken on, the matter and must withdraw from the meeting in accordance with the Council's procedure rules.

Voluntary Announcement of Other Interests (VAOI)

Where a Member does not have either a DPI or OSI but is of the opinion that for transparency reasons alone s/he should make an announcement in respect of a matter under consideration, they can make a VAOI. A Member declaring a VAOI may still remain at the meeting and vote on the matter under consideration.

## Note to the Code:

Situations in which a Member may wish to make a VAOI include membership of outside bodies that have made representations on agenda items; where a Member knows a person involved, but does not have a close association with that person; or where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position. It should be emphasised that an effect on the financial position of a Member, relative, close associate, employer, etc OR an application made by a Member, relative, close associate, employer, etc would both probably constitute either an OSI or in some cases a DPI.

Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 26 September 2019 at 6.02 pm.

Present:

Chairman: Councillor D Hannent

Councillors: S S Chandler  
S J Jones  
J Rose  
C A Vinson  
P Walker  
H M Williams (as substitute for Councillor J P Haste)

Officers: Strategic Director (Corporate Resources)  
Head of Finance and Housing  
Head of Audit Partnership (East Kent Audit Partnership)  
Head of Governance  
Benefits Manager (Civica)  
Democratic Services Officer

### **9 APOLOGIES**

An apology for absence was received from Councillor J P Haste.

### **10 APPOINTMENT OF SUBSTITUTE MEMBERS**

It was noted that, in accordance with Council Procedure Rule 4, Councillor H Williams had been appointed as substitute member for Councillor J P Haste.

### **11 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **12 MINUTES**

The Minutes of the meeting of the Committee held on 27 June 2019 were approved as a correct record and signed by the Chairman.

### **13 QUARTERLY INTERNAL AUDIT UPDATE REPORT**

The Head of Audit Partnership (East Kent Audit Partnership) (HAP) introduced the Quarterly Internal Audit Update report to the committee which provided a summary of the work completed by the EKAP since the last meeting of the committee.

There had been six internal audit assignments completed; one achieved substantial assurance, two concluded reasonable assurance, one achieved a split reasonable/limited assurance, one split reasonable/no assurance, and one split limited/no assurance.

In response to Councillor P Walker, it was clarified that the follow-up review of East Kent Housing Data Protection and Records Management had resulted with reasonable assurance for its General Data Protection Regulation (GDPR) and records management only. Referring to the fact that East Kent Housing (EKH) had received a limited/no assurance for its tenant health and safety, Councillor S J

Jones queried whether there was a programme in place to address this, overseen by the Council. Councillor S S Chandler reassured Members that the Head of Finance and Housing was receiving weekly reports and the situation was being closely monitored. The HAP added that it would be reported to the next East Kent Housing Audit Committee that, gas safety checks had been followed up resulting in a revised opinion of substantial assurance. In respect of fire safety, Councillor Chandler advised Members that the two blocks referred to in the Management Response to the report which had received a substantial risk level were not within the Dover district.

RESOLVED: That the report be noted.

14

#### TREASURY MANAGEMENT REPORT QUARTER ONE 2019/20

The Head of Finance and Housing introduced the Treasury Management Quarter One 2019/20 report to the committee. A brief summary was provided, informing Members of the Council's investment return for the quarter ended 30 June 2019 and the total forecast interest and dividends income for the year, which was slightly below the original budget estimate. This was due to no further investments in pooled investments funds due to a reduction in cashflow funds. The Council remained within its Treasury Management and Prudential Code guidelines.

RESOLVED: That the report be noted.

15

#### AUDIT FINDINGS REPORT

The Engagement Lead (Grant Thornton) (EL) presented the report which highlighted the key matters arising from the statutory audit of the Council and the preparation of the Council's financial statements for the year ending 31 March 2019.

The Committee was advised that the audit was now complete. No adjustments to the Financial Statement had been identified and therefore no amendments would be required. However, audit had been unable to draw a conclusion on Value for Money as an objection had been received in relation to EKH and P & R Installation Services Ltd at two of the other east Kent districts. In response to Councillor C A Vinson, the EL advised that a conclusion would be reached by December.

RESOLVED: That the report be noted.

16

#### FINANCIAL OUTTURN 2018/19

The Head of Finance and Housing presented the Financial Outturn 2018/19 report to the committee. Members were directed to the key points in the report for the financial outturn for the year which were:

- The General Fund was broadly balanced for the year, with a surplus of £12k following transfers to the reserves, of which included:
  - £820k to the Special Projects reserve from the additional income retained as part of the one-off NNDR Kent Pilot Scheme;
  - £700k to the Special Projects Reserve and £175k to the ICT reserve from in-year savings;

- This left the year-end General Fund balance at £2.5m;
- The Housing Revenue Account (HRA) outturn was a surplus £21k resulting in an HRA balance of £1.03m;
- The Council invested in a number of key projects, including the construction of Dover District Leisure Centre.
- The total interest received for the year was approximately £1.2m.
- No new long term borrowing was undertaken.
- The Council had remained with its Treasury Management guidelines and complied with the Prudential Code during the year.

RESOLVED: That the report be noted.

**17 STATEMENT OF ACCOUNTS 2018/19**

The Head of Finance and Housing presented the Statement of Accounts 2018/19 to the Committee, which was a statutory requirement for all local authorities. The outturn position of the authority had been disclosed in the Financial Outturn 2018/19 report which had been considered by the committee earlier in the meeting. The auditors, Grant Thornton, gave an unqualified opinion.

Members' attention was drawn to page fifty of the report where the value of debtors for 2018/19 had been amended on the final version for signing from 5,455 to 2,776 and the subsequent total had also been amended accordingly.

- RESOLVED:
- That the audited Statement of Accounts for 2018/19 be approved and signed by the Chairman of the committee.
  - That the Committee authorise the Chairman to sign the Letter of Representation.

**18 TREASURY MANAGEMENT YEAR END REPORT 2018/19**

The Head of Finance and Housing introduced the Treasury Management Year End report which provided details of the Council's outturn for the year ended 31 March 2019 and activity to date. A summary of the report provided Members with details of the Council's investment return, which for the period to March was 2.16% and the total interest and dividends income received for the year was £1,159k and £160k better than the original budget estimate. The Council had remained within its Treasury Management guideline and had complied with the Prudential Code guidelines during the period.

RESOLVED: That the report be noted.

**19 EXCLUSION OF THE PRESS AND PUBLIC**

It was moved by Councillor S Jones, duly seconded and

- RESOLVED: That, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the remainder of the

business on the grounds that the items to be considered involved the likely disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A of the Act.

20 ANNUAL DEBT COLLECTION REPORT FOR EAST KENT SERVICES  
(MANAGED BY CIVICA UK LTD)

The Annual Debt Collection report for East Kent Services was presented to the Committee by the Benefits Manager, Civica UK Ltd. It was constitutionally required to produce an annual report providing an overview of the debt and write-off position for debts managed by Civica UK Ltd. The report provided Members with an overview of: the overall debt position and trends; the collection rates; bad debt provisions; the overall level of write-offs proposed; and any learning points or areas where improvements could be made to further increase collection rates.

RESOLVED: That Members note

- (a) The value of income collected and write-offs for each type income, as set out in the report;
- (b) The generally high collection rates;
- (c) The aged debt profile.

The meeting ended at 7.34 pm.

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<b>Subject:</b>	<b>QUARTERLY INTERNAL AUDIT UPDATE REPORT</b>
<b>Meeting and Date:</b>	<b>Governance Committee – 21<sup>st</sup> January 2020</b>
<b>Report of:</b>	<b>Christine Parker – Head of Audit Partnership</b>
<b>Decision Type:</b>	<b>Non-key</b>
<b>Classification:</b>	<b>Unrestricted</b>
<b>Purpose of the report:</b>	This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30 <sup>th</sup> September 2019
<b>Recommendation:</b>	That Members note the update report.

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**1. Summary**

This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting.

**2. Introduction and Background**

- 2.1 For each Audit review, management has agreed a report, and where appropriate, an Action Plan detailing proposed actions and implementation dates relating to each recommendation. Reports continue to be issued in full to each member of Corporate Management Team, as well as an appropriate manager for the service reviewed.
- 2.2 Follow-up reviews are performed at an appropriate time, according to the status of the recommendation, timescales for implementation of any agreed actions and the risk to the Council.
- 2.3 An Assurance Statement is given to each area reviewed. The assurance statements are linked to the potential level of risk, as currently portrayed in the Council's risk assessment process. The assurance rating given may be Substantial, Reasonable, Limited or No assurance.
- 2.4 Those services with either Limited or No Assurance are monitored, and brought back to Committee until a subsequent review shows sufficient improvement has been made to raise the level of Assurance to either Reasonable or Substantial. A list of those services currently with such levels of assurance is attached as Annex 2 to the EKAP report.
- 2.5 The purpose of the Council's Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 2.6 To assist the Committee meet its terms of reference with regard to the internal control environment an update report is regularly produced on the work of internal audit. The purpose of this report is to detail the summary findings of completed audit reports and follow-up reviews since the report submitted to the last meeting of this Committee.

## SUMMARY OF WORK

- 2.7 There have been six internal audit assignments completed during the period, which are summarised in the table in section 2 of the report.
- 2.8 In addition four follow-up reviews have been completed during the period, which is detailed in section 3 of the quarterly update report.
- 2.9 For the six-month period to 30<sup>th</sup> September 2019, 102.01 chargeable days were delivered against the revised target of 250.41, which equates to 40.74% plan completion.

## 3 Resource Implications

- 3.1 There are no additional financial implications arising directly from this report. The costs of the audit work will be met from the Financial Services 2019-20 revenue budgets.
- 3.2 The financial performance of the EKAP is currently on target at the present time.

## Appendices

Appendix 1 – Internal Audit update report from the Head of the East Kent Audit Partnership.

## Background Papers

- Internal Audit Annual Plan 2019-20 - Previously presented to and approved at the 14<sup>th</sup> March 2019 Governance Committee meeting.
- Internal Audit working papers - Held by the East Kent Audit Partnership.

Contact Officer: Christine Parker, Head of Audit Partnership



**INTERNAL AUDIT UPDATE REPORT FROM THE HEAD OF THE EAST KENT AUDIT PARTNERSHIP.**

**1. INTRODUCTION AND BACKGROUND**

1.1 This report includes the summary of the work completed by the East Kent Audit Partnership since the last Governance Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> September 2019.

**2. SUMMARY OF REPORTS:**

<b>Service / Topic</b>		<b>Assurance level</b>	<b>No. of Recs.</b>	
2.1	EKS – ICT Physical & Environment	Substantial	C H M L	0 0 2 5
2.2	Community Safety	Substantial	C H M L	0 2 2 0
2.3	Waste Management & Street Cleansing*	Reasonable/Limited	C H M L	0 2 8 2
2.4	EKS – ICT PCI-DCC	Reasonable/Limited	C H M L	0 0 2 2
2.5	Risk Management	Reasonable	C H M L	0 4 6 0
2.6	EKS – Housing Benefit Quarterly Testing – Quarters 1 and 2 2019/20	Not Applicable		

- Reasonable after follow-up also completed this quarter.

## **2.1 EKS; ICT Physical & Environment – Substantial Assurance**

### **2.1.1 Audit Scope**

To ensure that the physical and environmental controls over the main ICT assets, including the servers are robust and are sufficient to enable EK Services to provide the level of ICT service required by the partner Councils.

### **2.1.2 Summary of Findings**

EK Services was formed in April 2011. It comprises of the three local authorities, Canterbury City Council, Thanet District Council and Dover District Council. EK Services ICT services is hosted by Thanet District Council and is responsible for protecting and maintaining the network and providing ICT support services across all partner authorities.

Individual authorities retain ownership of their ICT assets and are responsible for the physical and environmental controls of their ICT suites and server rooms such as access controls and maintenance of fire suppressant systems, cooling systems and power supplies.

The primary findings giving rise to this Substantial Assurance opinion are as follows:

- ICT security policies are in place;
- Server rooms are suitably protected from fire, flooding and loss of power;
- Access by contractors to server rooms is suitably controlled;
- All ICT equipment is recorded on a centrally held system;
- Offsite backup arrangements are in place.

Scope for improvement was however identified in the following areas:

- The Service Level Agreement between EK Services and the Partner councils has expired and should be renewed;
- Council ICT security policies are in place, but not easily accessible to all staff;
- Staff with access to server rooms should be reviewed by partner Councils.
- A 3rd party contractor should be put in place to securely dispose of redundant ICT equipment.

## **2.2 Community Safety – Substantial Assurance**

### **2.2.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to achieve the Corporate Plan Priority 2 objective of ‘Reducing crime and anti-social behaviour’.

### **2.2.2 Summary of Findings**

Section 17 of the Crime and Disorder Act 1998, as amended by the Police and Justice Act 2006, requires responsible authorities to consider crime and disorder (including antisocial behaviour and other behaviour adversely affecting the local environment) and the misuse of drugs, alcohol and other substances in the exercise of all their duties, activities and decision making. This means that in all policies, strategies and service delivery there is a need to consider the likely impact on crime and disorder.

However, it should be noted that the aim of community safety is not just about reacting to anti-social behaviour issues but also identifying and addressing issues before they result in anti-social behaviour.

Management can place a Substantial Assurance on the system of internal controls in operation. The primary findings giving rise to the Substantial Assurance opinion in this area are as follows:

- New working practices are being embedded into the new Community Safety team following the recent restructure and will need time before the full benefit of them is fully felt. This includes the enhanced CCTV function which goes live in December 2019 which will enhance the safety of residents and improve the enforcement work carried out across the district by both internal departments and other partner organisations.
- As a result of various funding streams there are various projects and schemes (for example Community Caretakers and the Inspire project) that are in place across the district that are having a positive effect on the lives of the residents.
- The work of the Safer Stronger Communities Partnership (SSCP) and the sharing of information across partner organisations (under the Kent and Medway Information Sharing Agreement) is continually evolving to meet the demands of both local and national issues that impact on the lives of residents both young and old.

Scope for improvement was however identified in the following area:

- The Safer Stronger Communities Partnership (SSCP), which is a statutory function with other agencies, has been in place for a considerable period but having attended the recent Executive meeting the Auditor has raised several questions on the make-up of the board and what the aims and objectives of the Executive and the sub groups are. Therefore, an exercise should be carried out to evaluate the aims and objectives of the SSCP and its sub groups to ensure that it is still meeting the requirements of the legislation but also the needs of the residents within the district.
- Consideration could also be given to having an annual meeting with other Safer Stronger Communities Partnerships (SSCP's) across East Kent where the sharing of information may assist in delivering joint initiatives that could have a positive impact on a greater number of residents across several areas of East Kent at the same time.

### **2.3 Waste Management & Street Cleansing – Reasonable/Limited Assurance:**

#### **2.3.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the street cleansing function is being carried out efficiently and effectively within an appropriate control framework which reduces any risks to an acceptable level.

#### **2.3.2 Summary of Findings**

There is a joint waste contract in place between Dover District Council, Folkestone & Hythe District Council, Kent County Council & Veolia which expires in January 2021. The waste contract is expected to cost Dover District Council £3.84m in 2019/20 offset in part by various recharges and income streams such as the Garden Waste scheme.

The contractor is tasked with monitoring and reporting on its own performance on a monthly basis and this report is shared with senior management. The Council employs a team to inspect and monitor the performance of the contractor. To date the contractor has accumulated 26 penalty points for not meeting service standards. The trigger point for contract termination is 3,000.

Management can place Reasonable Assurance on the system of internal controls in operation. There is however cause for concern surrounding performance management which could present a risk to the achievement of the system objectives and this suggests a partially limited assurance level in respect of performance management.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- The contractual arrangements and service provided is compliant with the Environmental Protection Act 1990 and almost all of the Code of Practice on Litter and Refuse 2006;
- The service standards set out in the current contract are clear;
- The current contract provides all the mechanisms the Council needs to monitor the service;
- Contract monitoring techniques used are effective in most instances and contract payments and recharges are correctly and clearly calculated;
- The format and content of the performance information provided to management by the contractor is in accordance with the contract; and
- The Council is preparing well for the new contract and procurement process;

Scope for improvement was however identified in the following areas:

- Four of the recommendations made within this report are targeted at strengthening data protection practices operationally and contractually;
- The Council currently informally advises the contractor in advance when and where it is going to inspect street cleansing standards. This significantly reduces the effectiveness of the contract monitoring arrangements and may be affecting the performance indicators in place for street cleansing service standards;
- The contractor is tasked with monitoring and reporting on its own performance on a monthly basis and this report is shared with senior management; audit testing on five roads the Dover District revealed the contractor had failed to rectify a street cleansing rectification request within the terms of the contract on two occasions and did not properly record this failure – reported performance may therefore be better than is in fact the case; and
- A number of contract monitoring improvements have been suggested to help the Council detect poor contractor performance and validate its performance figures.

## **2.4 EKS; ICT PCI-DSS – Reasonable/Limited Assurance:**

### **2.4.1 Audit Scope**

To ensure that the controls over the administration of the PCI-DSS procedures are robust and sufficient to enable the partner councils to comply with the industry requirements for this service.

## 2.4.2 Summary of Findings

PCI Security Standards are technical and operational requirements set by the PCI Security Standards Council (PCI SSC) to protect cardholder data. The standards apply to all entities that store, process or transmit cardholder data. As organisations that take payments by debit and credit cards, each Council must comply with the standards known as the Payment Card Industry Data Security Standards (PCI-DSS) and failure to comply with the standards could result in regular and large fines and also no longer being permitted to process card payments.

This review was an EK Services audit but the reality is that compliance with PCI-DSS is the sole responsibility of each of the councils, who rely on support from EK Services to provide technical assistance and advice.

Management can place the following assurances on the system of internal controls in operation across the three authorities.

- Canterbury City Council – Reasonable Assurance for the processes in place and Limited Assurance for being non-compliant.
- Dover District Council – Reasonable Assurance for the main processes and level of compliance, but Limited for the one department that is non compliant.
- Thanet District Council - Reasonable Assurance for the processes in place and Limited Assurance for being non-compliant due to the annual assessments not being completed since 2017. However, processes are in place to address this.

### Canterbury City Council

- Quarterly network scans are carried out and are sent to the bank to show what the Council is doing to achieve compliance. ICT also carry out monthly scans so that PCI issues are identified early before the quarterly reports are required for the banks.
- The annual assessments for the different payment streams have not been completed therefore the supporting certificates are not in place and this means that the Council is not PCI-DSS compliant. As a result of this a monthly fine for non-compliance of £9.99 is being levied by World Pay.
- As part of the ongoing monitoring of PCI-DSS there is a regular update reported to Members (in the pink) as part of the quarterly Strategic Risk Register report.

### Dover District Council

- Dover District Council is currently PCI-DSS compliant for its main income systems through Adelante and certificates are in place along with self-assessment documentation along with regular security scans being carried out.
- There is one income stream that requires further attention (and is being looked into already) and that is the shop income at Dover Museum. They take chip and pin payments through the World Pay system but are currently not PCI-DSS compliant. Due to non-compliance World Pay are charging a non-compliance charge based on the number of transactions and is currently approximately £12.00 per month.

### Thanet District Council

- Quarterly network scans are carried out and are sent to the World Pay to show what the Council is doing to achieve compliance. ICT also carry out monthly scans so

that PCI issues are identified early before the quarterly reports are required for the bank.

- The annual assessments for the different payment streams have not been completed therefore the supporting certificates are not in place and this means that the council is not PCI-DSS compliant. The responsible officer now has an annual diary entry to ensure that the annual assessments are completed.
- Work has been carried out to put in place new telephone software for taking card payments and new chip and pin machines have been rolled out across the relevant services.

#### Corporate Information Governance Group (CIGG)

CIGG has started an exercise to review the three councils' joint ICT policies as they were last reviewed in 2016 when they were implemented. The first meeting was held on 15th April 2019 to start reviewing the policies. PCI-DSS is not an item on the agenda at the quarterly meetings but going forward it may wish to receive regular updates from the PCI Compliance Officer at each authority as to the position of compliance and also if there are any issues that CIGG may be able to help address.

### **2.5 Risk Management – Reasonable Assurance:**

#### **2.5.1 Audit Scope**

To provide assurance on the adequacy and effectiveness of the procedures and controls established to ensure that the risk management function is being carried out efficiently and effectively within an appropriate control framework which identifies, monitors and reduces risk to an acceptable level to enable those charged with governance to discharge their responsibilities.

#### **2.5.2 Summary of Findings**

Risk management is the process by which risks are identified, evaluated and controlled and is a key element of the framework of governance. It is about identifying, analysing, evaluating, responding and monitoring threats and opportunities with a view to minimising the chances of failure and maximising the chances of success. Risk Management is about being risk aware and not risk averse.

Management can place Reasonable Assurance on the overall system of internal controls in operation for Corporate Risks and Business Continuity Plans. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Corporate Management Team is aware of these issues and are in the processes of dealing with them.

The primary findings giving rise to the Reasonable Assurance opinion in this area are as follows:

- Established processes are in place to identify and monitor corporate risks at CMT level.
- Induction training is in place for Members to enable them to sit on the Governance Committee.
- A considerable amount of work has been carried to update the individual service Business Continuity Plans across the Council which include the identification of risks that could impact on service delivery.

Scope for improvement was however identified in the following areas:

- The Corporate risk register is not presented to Council's Governance Committee on a regular basis in accordance with Cipfa and IIA guidance. It is therefore difficult to see how the Governance Committee is discharging its stated responsibilities to: 'ensure the effectiveness of the Council's risk management arrangements' and to 'seek assurances that effective action is being taken on risk and internal control related areas of weakness' and to provide 'independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment'.
- CMT have decided not to present the corporate risk register to the Governance Committee quarterly, instead that they will approve the Governance Framework processes that are in place. The risk register is available to members if they request to see it, and this is updated half-yearly by CMT. This audit highlights to members that the Council is complying with the process it has set out, however that process falls short of best practice determined by the professional bodies. Internal Audit are required by the Accounts & Audit regulations to highlight this shortfall in the course of its independent reporting process.
- CMT is aware that there are issues with risk management processes for Service Plans and Corporate Projects and are in the processes of dealing with them. Although it should be noted that the previous audit report in January 2016 flagged up issues in respect of corporate projects. (i.e. no central list of corporate projects).
- Although supporting policies are in place they need to be reviewed and up dated to reflect the restructure of the Council and the changes to roles and responsibilities.
- Consideration should also be given to having the risk strategy as a separate standalone document and not as part of the Corporate Governance Local Code. This would ensure that it can be reviewed on a regular basis and there would be clear ownership of the risk management process as it is embedding across the authority.
- CMT may wish consider not having themselves as the owners of any of the corporate risks but allocate them to specific officers thus ensuring that the risk mitigation actions are being carried out.
- Guidance documentation for corporate projects needs to be reviewed to include information on risk management and also there is the need for an officer to take the lead on corporate projects and ensure that documentation is complete by Managers or Heads of Service before it is submitted to CMT for their consideration. (i.e. a Corporate Projects Manager). They should also ensure that regular monitoring of the corporate projects is carried out and be the link to CMT to report any issues or to ensure that as new risks are identified that they are reported to CMT.
- Post implementation reviews should be carried out as they provide an opportunity to learn from each project. They could be agreed as part of the sign off by CMT when they receive the project brief and then they could be assigned and timetabled.

Management Response:

On this occasion there is one recommendation with which management disagree, and that is the recommendation that Governance should become part of the risk management process (rather than purely take an overview of the process), by receiving the risk register instead of ensuring that the executive, who are responsible for the Council's risk appetite, receive and consider the risk register.

Management's reasons for taking this view are:

- Significant risks should be identified and reported to those responsible for them, so that considered decisions on taking and mitigating those risks are taken and implemented. On this point there is no disagreement.
- The Council should not uncritically adopt processes simply because they are published as “best practice” where they do not appear to be an improvement on alternatives or because “others do it” and where there is no statutory requirement to do so.
- The recommendation to report the risk register on a quarterly basis to Governance, in addition to other reporting, is not wholly consistent with the role of Governance as set out in the Council’s constitution.
- Governance, like Internal Audit, should usually be independent, so not part of the process, but rather a reviewer of the process and controls. Governance should also remain apolitical. Taking risks, or not, can be part of a political judgement. Governance’s role is to ensure that risks have been taken in a reasonable and appropriate way, not to take a view on the risks themselves - unless they are of an extreme or unreasonable nature, or taken in an unreasonable manner, and create an undue threat to the Council - which is not being suggested.
- Where Governance believe that the authority's financial and non-financial performance is such that it affects the authority's exposure to risk and weakens the control environment, they can ask that the risks be recorded on the risk register and / or that the control environment be changed. That is not the same as having a responsibility to review the risks themselves.
- Internal Audit reviews generally add controls and workload to managements processes and very rarely remove any. In terms of staff and Member time and resources, there is a practical limit to the number of additional processes that can be sustained and that also bring proportional benefit to the Council. For example, the most significant financial risks to the Council come from the arrangements for local government finance. These are unpredictable and cannot be moderated by Members or officers. They are comprehensively reported to full Council annually, monitored continuously and updated via the quarterly performance report and budget monitoring report. If Governance are satisfied that this arrangement is in place and working, then reporting these specific risks to Governance in addition would not add anything.
- Management proposes:
  - to present a brief report to Governance on risk management within the Council
  - review the risk management section of the Corporate Governance Local Code
  - review how risks are managed within corporate projects
  - include in the Annual Assurance Statement an update on Corporate risks.
  - Report the strategic risk register to the executive and include updates of any changes in the quarterly performance report, which is available to all Members.
  - These arrangements can be amended as required.
- Management is also in the process of commissioning post implementation reviews from EKAP.

## **2.6 EKS/Civica Housing Benefits Quarterly Testing Quarters 1 & 2 2019/20**

### **2.6.1 Introduction**

Over the course of 2019/20 financial year the East Kent Audit Partnership will complete a sample check of Council Tax, Rent Allowance and Rent Rebate and Local Housing Allowance benefit claims.

### **2.6.2 Findings**

For quarters one and two of 2019/20 financial year (April to September 2019) 40 claims including new and change of circumstances of each benefit type were selected by randomly selecting the various claims for verification.

A fail is categorised as an error that impacts on the benefit calculation. However, data quality errors are still to be shown but if they do not impact on the benefit calculation then for reporting purposes the claim will be recorded as a pass.

#### 2.6.3 Audit Conclusion

For this period forty benefit claims were checked and none of the claims had any financial errors and there were 2 (5%) data quality errors.

For this period forty benefit claims were checked and one (2.5%) of the claims had a financial error and there were no data quality errors.

### **3.0 FOLLOW UP OF AUDIT REPORT ACTION PLANS:**

- 3.1 As part of the period's work, four follow up reviews have been completed of those areas previously reported upon to ensure that the recommendations previously made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are shown in the following table.

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs		No of Recs Outstanding	
a)	East Kent Housing – Tenant Health & Safety (Gas Safety)	Limited	Substantial	C	1	C	0
				H	1	H	0
				M	0	M	0
				L	0	L	0
b)	East Kent Housing – Tenant health & Safety (Legionella)	No	Reasonable	C	1	C	0
				H	0	H	0
				M	0	M	0
				L	0	L	0
c)	EKS/Civica – Sundry Debtors	Substantial	Substantial	C	0	C	0
				H	0	H	0
				M	0	M	0
				L	1	L	0
d)	Waste Management & Street Cleansing	Reasonable /Limited	Reasonable	C	0	C	0
				H	2	H	0
				M	8	M	0
				L	2	L	0

- 3.2 Details of each of the individual high priority recommendations outstanding after follow-up are included at Annex 1 and on the grounds that these recommendations have not been implemented by the dates originally agreed with management, they are now being escalated for the attention of the s.151 Officer and Members of the Governance Committee.

The purpose of escalating outstanding high-risk matters is to try to gain support for any additional resources (if required) to resolve the risk, or to ensure that risk acceptance or tolerance is approved at an appropriate level.

#### **4.0 WORK-IN-PROGRESS:**

- 4.1 During the period under review, work has also been undertaken on the following topics, which will be reported to this Committee at future meetings: Members' Code of Conduct & Standards Arrangements, Housing Repairs & Maintenance, Welfare Reform, Rents, Museum & VIC, and Let Properties and Concessions.

#### **5.0 CHANGES TO THE AGREED AUDIT PLAN:**

- 5.1 The 2019-20 Audit plan was agreed by Members at the meeting of this Committee on 14<sup>th</sup> March 2019.
- 5.2 The Head of the Audit Partnership meets on a quarterly basis with the Strategic Director (Corporate Resources) - Section 151 Officer to discuss any amendments to the plan. Members of the Committee will be advised of any significant changes through these regular update reports. Minor amendments have been made to the plan during the course of the year as some high-profile projects or high-risk areas have been requested to be prioritised at the expense of putting back or deferring to a future year some lower risk planned reviews. The detailed position regarding when resources have been applied and or changed are shown as Annex 3.

#### **6.0 FRAUD AND CORRUPTION:**

- 6.1 There were no other new or recently reported instances of suspected fraud or irregularity that required either additional audit resources or which warranted a revision of the audit plan at this point in time.

#### **7.0 INTERNAL AUDIT PERFORMANCE**

- 7.1 For the six-month period to 30<sup>th</sup> September 2019, 102.01 chargeable days were delivered against the revised target of 250.41, which equates to 40.74% plan completion.
- 7.2 The financial performance of the EKAP is currently on target at the present time.
- 7.3 As part of its commitment to continuous improvement and following discussions with the s.151 Officer Client Group, the EKAP has improved on the range of performance indicators it records and measures.
- 7.4 The EKAP introduced an electronic client satisfaction questionnaire, which is used across the partnership. The satisfaction questionnaires are sent out at the conclusion of each audit to receive feedback on the quality of the service. Current feedback arising from the customer satisfaction surveys is featured in the Balanced Scorecard attached as Annex 4.

#### **Attachments**

- |         |  |
|---------|--|
| Annex 1 | Summary of High priority recommendations outstanding after follow-up.              |
| Annex 2 | Summary of services with Limited / No Assurances.                                  |
| Annex 3 | Progress to 30 <sup>th</sup> September 2019 against the agreed 2019/20 Audit Plan. |

## APPENDIX 1

- Annex 4      Balanced Scorecard of performance indicators to 30<sup>th</sup> September 2019.
- Annex 5      Assurance statements

SUMMARY OF HIGH PRIORITY RECOMMENDATIONS OUTSTANDING OR IN PROGRESS AFTER FOLLOW-UP – ANNEX 1		
Original Recommendation	Agreed Management Action, Responsibility and Target Date	Manager's Comment on Progress Towards Implementation.
<i>None to report this quarter</i>		

ANNEX 2

<b>SERVICES GIVEN LIMITED / NO ASSURANCE LEVELS STILL TO BE REVIEWED</b>			
<b>Service</b>	<b>Reported to Committee</b>	<b>Level of Assurance</b>	<b>Follow-up Action Due</b>
Data Protection	June 2019	Limited	Autumn/Winter 2019
Tenancy & Right to Buy Fraud	March 2019	Limited	Autumn/Winter 2019
East Kent Housing – Tenant Health & Safety	September 2019	Limited/No	Work-in-Progress – Part complete
Building Control	September 2019	Reasonable/No	Work-in-Progress

ANNEX 3

**PROGRESS AGAINST THE AGREED 2019-20 AUDIT PLAN.**

**DOVER DISTRICT COUNCIL:**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2019	Status and Assurance Level
<b>FINANCIAL SYSTEMS:</b>				
Car Parking & Enforcement	10	10	0.18	Quarter 4
Budgetary Control	10	10	0.18	Quarter 3
Insurance & Insurance of Portable Assets	10	10	0.24	Postponed till 2020-21 due to retendering of insurance in 2019-20
<b>RESIDUAL HOUSING SYSTEMS:</b>				
HRA Business Plan	10	10	0.18	Quarter 3
<b>GOVERNANCE RELATED:</b>				
Members' Code of Conduct & Standards Arrangements	10	10	0.32	Work-in-progress
Anti-Fraud & Corruption	2	2	1.22	Work-in-progress
Shared Service Monitoring	10	10	0	Quarter 4
Corporate Advice/CMT	2	2	2.13	Work-in-progress throughout 2018-19
s.151 Meetings and support	9	9	7.54	Work-in-progress throughout 2018-19
Governance Committee Meetings and Reports	12	12	7.21	Work-in-progress throughout 2018-19
2019-20 Audit Plan Preparation and Meetings	9	9	0.76	Quarter 4
<b>SERVICE LEVEL:</b>				
Procurement	10	10	10.2	Finalised – Reasonable/Limited
Community Safety	10	10	7.53	Finalised - Substantial
Dog Warden, Street Scene and Litter Enforcement	10	10	0	Quarter 4
Electoral Registration & Election Management	13	13	0.24	Quarter 3

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2019	Status and Assurance Level
Environmental Health – Public Health Burials	10	10	0	Quarter 3
Environmental Health – Health & Safety at Work	10	10	0.23	Quarter 4
Environmental Protection Service Requests	10	10	0.18	Work-in-progress
Equality & Diversity	10	10	0.18	Work-in-progress
Museum & VIC	12	12	0.18	Finalised - Reasonable
Commercial Properties & Concessions	12	12	8.95	Work-in-progress
Petty Cash & Travel Arrangements	8	8	0	Quarter 3
Printing, Photocopying & Postage	10	10	9.86	Finalised - Reasonable
Sports & Leisure	15	15	0	Quarter 4
<b>OTHER</b>				
Liaison with External Auditors	1	1	0	Work-in-progress throughout 2019-20
Follow-up Work	15	15	9.55	Work-in-progress throughout 2019-20
<b>FINALISATION OF 2018-19- AUDITS</b>				
Food Safety	5		4.39	Finalised
Data Protection			0.31	Finalised
Building Control			3.33	Finalised
Waste Management & Street Cleansing			17.01	Finalised
Risk Management			9.64	Draft Report
Days over delivered in 2018-19	0	-4.59		Completed
<b>Responsive Work:</b>				
Homelessness – 2018-19	0	0	0.27	Finalised
<b>TOTAL</b>	<b>255</b>	<b>250.41</b>	<b>102.01</b>	<b>40.74% as at 30<sup>th</sup> September 2019</b>

**EAST KENT HOUSING LIMITED:**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2019	Status and Assurance Level
<b>Planned Work:</b>				
CMT/Audit Sub Cttee/EA Liaison	4	4	8.12	Work-in-progress throughout 2019-20
Follow-up Reviews	4	4	5.82	Work-in-progress throughout 2019-20
Rent Accounting, Collection & Debt Mngmt.	40	40	18.61	Work-in-progress
Rechargeable Works	10	10	0	Quarter 3
Tenants' Health & Safety	15	15	21.89	Finalised – Limited/No
Customer Contact	12	12	0	Quarter 4
East Kent Housing Improvement Plan	10	10	0	Quarter 3
Estate Management Inspection	15	15	0	Quarter 3
Anti-Social Behaviour	15	15	0	Quarter 4
Employee Health, Safety & Welfare	15	15	1.03	Work-in-progress
<b>Finalisation of 2018-19 Work-in-Progress:</b>				
Days under delivered in 2018-19	0	19.50	0	Allocated
Staff Performance Management	0	0	4.93	Work-in-Progress
Welfare Reform	0	0	7.14	Work-in-Progress
Repairs & Maintenance	0	0	34.38	Work-in-Progress
Service Level Agreements	0	0	0.97	Finalised
<b>Total</b>	<b>140</b>	<b>159.50</b>	<b>102.89</b>	<b>64.51% as at 30-09-2019</b>

**EKS, EKHR & CIVICA:**

Review	Original Planned Days	Revised Planned Days	Actual days to 30-09-2019	Status and Assurance Level
<b>EKS, EKHR &amp; Civica Reviews:</b>				
Business Rates – Reliefs and Credits	15	15	10.45	Work-in-Progress
Council Tax	20	20	0	Quarter 3
Housing Benefit Appeals	15	15	13.54	Finalised - Substantial
KPIs	5	5	1.45	Work-in-Progress
ICT Disaster Recovery	15	15	0	Quarter 4
ICT Physical & Environment	15	15	13.25	Finalised - Substantial
Housing Benefit Testing	15	15	0	Work-in-Progress
<b>EKHR Reviews:</b>				
Employee Benefits-in-Kind	15	15	4.48	Work-in-Progress
Payroll	15	15	0.07	Quarter 3
Recruitment	15	15	0.17	Quarter 4
<b>Other:</b>				
Corporate/Committee	8	8	5.06	Work-in-progress throughout 2019-20
Follow up	7	7	5.07	Work-in-progress throughout 2019-20
Days under delivered in 2018-19	0	27.26		Allocated as below
<b>Finalisation of 2018/19 Audits:</b>				
Days under delivered in 2018-19	0	27.26		Allocated below
Housing Benefit Testing 18-19	0		8.7	Finalised
Payroll			2.22	Finalised - Reasonable
ICT PCI-DSS Compliance			10.24	Finalised – Reasonable/Limited
<b>Total</b>	<b>160</b>	<b>187.26</b>	<b>74.4</b>	<b>40% at 30-09-2019</b>

<b><u>INTERNAL PROCESSES PERSPECTIVE:</u></b>	<b><u>2019-20 Actual</u></b>	<b><u>Target</u></b>	<b><u>FINANCIAL PERSPECTIVE:</u></b>	<b><u>2019-20 Actual</u></b>	<b><u>Original Budget</u></b>
	Quarter 2		Reported Annually		
Chargeable as % of available days	88%	80%	<ul style="list-style-type: none"> <li>Cost per Audit Day</li> <li>Direct Costs</li> </ul>	£	£332.50
Chargeable days as % of planned days			<ul style="list-style-type: none"> <li>+ Indirect Costs (Recharges from Host)</li> <li>- 'Unplanned Income'</li> </ul>	£	£428,375
CCC	40.97%	50%		£	£10,530
DDC	40.73%	50%		£	Zero
F&HDC	45.50%	50%			
TDC	44.85%	50%			
EKS	39.88%	50%			
EKH	64.51%	50%			
Overall	45.35%	50%	<ul style="list-style-type: none"> <li>= Net EKAP cost (all Partners)</li> </ul>		£438,905
Follow up/ Progress Reviews;					
• Issued	18	-			
• Not yet due	20	-			
• Now due for Follow Up	25	-			
Compliance with the Public Sector Internal Audit Standards (PSIAS) (see Annual Report for more details)	Partial	Full			

<u>CUSTOMER PERSPECTIVE:</u>	<u>2019-20 Actual</u>	<u>Target</u>	<u>INNOVATION &amp; LEARNING PERSPECTIVE:</u>	<u>2019-20 Actual</u>	<u>Target</u>
Number of Satisfaction Questionnaires Issued;	31	Quarter 2	Percentage of staff qualified to relevant technician level	75%	75%
Number of completed questionnaires received back;	13	= 42%	Percentage of staff holding a relevant higher level qualification	36%	36%
Percentage of Customers who felt that;			Percentage of staff studying for a relevant professional qualification	14%	N/A
<ul style="list-style-type: none"> <li>Interviews were conducted in a professional manner</li> <li>The audit report was 'Good' or better</li> <li>That the audit was worthwhile.</li> </ul>	100%	100%	Number of days technical training per FTE	1.14	3.5
	100%	90%	Percentage of staff meeting formal CPD requirements (post qualification)	36%	36%
	100%	100%			

## Definition of Audit Assurance Statements & Recommendation Priorities

### Assurance Statements:

**Substantial Assurance** - From the testing completed during this review a sound system of control is currently being managed and achieved. All of the necessary, key controls of the system are in place. Any errors found were minor and not indicative of system faults. These may however result in a negligible level of risk to the achievement of the system objectives.

**Reasonable Assurance** - From the testing completed during this review most of the necessary controls of the system in place are managed and achieved. There is evidence of non-compliance with some of the key controls resulting in a marginal level of risk to the achievement of the system objectives. Scope for improvement has been identified, strengthening existing controls or recommending new controls.

**Limited Assurance** - From the testing completed during this review some of the necessary controls of the system are in place, managed and achieved. There is evidence of significant errors or non-compliance with many key controls not operating as intended resulting in a risk to the achievement of the system objectives. Scope for improvement has been identified, improving existing controls or recommending new controls.

**No Assurance** - From the testing completed during this review a substantial number of the necessary key controls of the system have been identified as absent or weak. There is evidence of substantial errors or non-compliance with many key controls leaving the system open to fundamental error or abuse. The requirement for urgent improvement has been identified, to improve existing controls or new controls should be introduced to reduce the critical risk.

### Priority of Recommendations Definitions:

**Critical** – A finding which significantly impacts upon a corporate risk or seriously impairs the organisation's ability to achieve a corporate priority. Critical recommendations also relate to non-compliance with significant pieces of legislation which the organisation is required to adhere to and which could result in a financial penalty or prosecution. Such recommendations are likely to require immediate remedial action and are actions the Council must take without delay.

**High** – A finding which significantly impacts upon the operational service objective of the area under review. This would also normally be the priority assigned to recommendations relating to the (actual or potential) breach of a less prominent legal responsibility or significant internal policies; unless the consequences of non-compliance are severe. High priority recommendations are likely to require remedial action at the next available opportunity or as soon as is practical and are recommendations that the Council must take.

**Medium** – A finding where the Council is in (actual or potential) breach of - or where there is a weakness within - its own policies, procedures or internal control measures, but which does not directly impact upon a strategic risk, key priority, or the operational service objective of the area under review. Medium priority recommendations are likely to require remedial action within three to six months and are actions which the Council should take.

**Low** – A finding where there is little if any risk to the Council or the recommendation is of a business efficiency nature and is therefore advisory in nature. Low priority recommendations are suggested for implementation within six to nine months and generally describe actions the Council could take.

<b>Subject:</b>	<b>TREASURY MANAGEMENT QUARTER TWO REPORT 2019/20</b>
<b>Meeting and Date:</b>	<b>Cabinet – 13 January 2020</b>
	<b>Governance – 21 January 2020</b>
<b>Report of:</b>	<b>Helen Lamb – Head of Finance and Housing</b>
<b>Portfolio Holder:</b>	<b>Councillor Stephen Manion – Portfolio Holder for Finance and Governance</b>
<b>Decision Type:</b>	<b>Non-Key Decision</b>
<b>Classification:</b>	<b>Unrestricted</b>
<b>Purpose of the report:</b>	To provide details of the Council's treasury management for the quarter ended 30 September 2019 (Q2) and an update of activity to date.
<b>Recommendation:</b>	That the report is received.

## 1. Summary

- 1.1 The Council's investment return for the period to September was 3.09% (annualised), which outperformed the benchmark<sup>1</sup> by 2.42%. The total forecast interest and dividends income for the year £1,675k, which is £149k less than the original budget estimate of £1,824k. This reduction is due to withholding the decision to invest in further pooled funds due to uncertainty around Brexit and the political and global economic climate.
- 1.2 The Council has remained within its Treasury Management guidelines and has complied with the Prudential Code guidelines during the period.

## 2. Introduction and Background

- 2.1 CIPFA (the Chartered Institute of Public Finance and Accountancy) issued the revised Code of Practice for Treasury Management in November 2011; it recommends that members should be updated on treasury management activities at least twice a year, but preferably quarterly. This report therefore ensures this council is implementing best practice in accordance with the Code.
- 2.2 Council adopted the 2019/20 Treasury Management Strategy (TMS) on 6th March 2019 as part of the 2019/20 Budget and Medium Term Financial Plan.
- 2.3 In order to comply with the CIPFA code referred to above, a brief summary is provided below and Appendix 1 contains a full report from the Council's Treasury Management Advisors, Arlingclose.
- 2.4 Members are asked to note that in order to minimise the resource requirements in producing this report, Arlingclose's report has been taken verbatim. Treasury advisors

<sup>1</sup> The "benchmark" is the interest rate against which performance is assessed. DDC use the 3 month London Inter-Bank Bid Rate or LIBID, as its benchmark, which was 0.67 at the end of the quarter.

generally use a more journalistic style than is used by our officers, but in order to avoid changing the meaning or sense of Arlingclose's work, this has not been edited out.

### 3. Economic Background

- 3.1 The report attached (Appendix 1) contains information up to the end of September 2019; since then we have received the following update from Arlingclose (in italics). Please note that any of their references to quarters are based on *calendar* years:

*"Main points since September:*

- I. *The global economy is entering a period of slower growth in response to political issues, including the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations are low.*
- II. *Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and up beat expectations have been wrong before.*
- III. *Brexit has been delayed until 31 January 2020. While the General Election has maintained economic and political uncertainty, the opinion polls suggest the Conservative position in parliament may be strengthened, which reduces the chance of Brexit being further frustrated. A key concern is the limited transitional period following a January 2020 exit date, which will maintain and create additional uncertainty over the next few years.*
- IV. *UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggest falling household and business confidence. Both main political parties have promised substantial fiscal easing, which should help support growth.*
- V. *While the potential for divergent paths for UK monetary policy remain in the event of the General Election result the weaker external environment severely limits potential upside movement in Bank Rate while the slowing UK economy will place pressure on the MPC to loosen monetary policy. Indeed, two MPC members voted for an immediate cut in November 2019.*
- VI. *Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.*
- VII. *Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, Including bond markets.*

### 4. Annual Investment Strategy

- 4.1 The investment portfolio, as at the end of September 2019, is attached at Appendix 2. Total balances held for investment and cash-flow purposes were £53.9m, increasing to £57.3m at the end of November (see Appendix 4). The increase reflects normal cash-flow fluctuations arising from the timing of 'major preceptor' payments, which are

made over twelve months, while the Council Tax receipts that fund them typically come in over the ten months to January and then decline.

- 4.2 As at 30 September 2019, the Council's investment portfolio totalled £48m (see Appendix 2). Cashflow funds were higher than anticipated (£5.9m at 30 September 2019). No further investments have been made in the quarter.
- 4.3 Cashflow funds have since increased (to £9.3m at 30 November 2019) due to normal cashflow fluctuations.

## 5. **New Borrowing**

- 5.1 The Council's borrowing portfolio is attached at Appendix 3. At the end of September 2019, the Council had £17 million in short term loans with other Local Authorities as part of the Council's strategic cash management objectives.

## 6. **Debt Rescheduling**

- 6.1 At this time, it is not considered of benefit to the Council to undertake any further rescheduling of its long-term debt.

## 7. **Compliance with Treasury and Prudential Limits**

- 7.1 The Council has operated within the Prudential Indicators in compliance with the Council's Treasury Management Practices.

## 8. **Corporate Implications**

- 8.1 Comment from the Section 151 Officer: Finance have produced this report and have no further comments to add. (DL)
- 8.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make. (HR)
- 8.3 Comment from the Equalities Officer: This report does not specifically highlight any equality implications however in discharging their duties members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>. (KS)

## 9. **Appendices**

Appendix 1 – Arlingclose Treasury Management Report for Quarter Two 2019/20

Appendix 2 – Investment portfolio as at 30 September 2019

Appendix 3 – Borrowing portfolio as at 30 September 2019

Appendix 4 – Investment portfolio as at 30 November 2019

## 10. **Background Papers**

Medium Term Financial Plan 2019/20 – 2022/23

Contact Officer: Dani Loxton, extension 2285

## Treasury Management Report Q2 2019/20

### Introduction

In March 2012 the Authority adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.

The Authority's treasury management strategy for 2019/20 was approved at a meeting on 6<sup>th</sup> March 2019. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Authority's Capital Strategy, complying with CIPFA's requirement, was approved by full Council on 6<sup>th</sup> March 2019.

### External Context

**Economic background:** UK Consumer Price Inflation (CPIH) fell to 1.7% year/year in August 2019 from 2.0% in July, weaker than the consensus forecast of 1.9% and below the Bank of England's target. The most recent labour market data for the three months to July 2019 showed the unemployment rate edged back down to 3.8% while the employment rate remained at 76.1%, the joint highest since records began in 1971. Nominal annual wage growth measured by the 3-month average excluding bonuses was 3.8% and 4.0% including bonuses. Adjusting for inflation, real wages were up 1.9% excluding bonuses and 2.1% including.

The Quarterly National Accounts for Q2 GDP confirmed the UK economy contracted by 0.2% following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit. Only the services sector registered an increase in growth, a very modest 0.1%, with both production and construction falling and the former registering its largest drop since Q4 2012. Business investment fell by 0.4% (revised from -0.5% in the first estimate) as Brexit uncertainties impacted on business planning and decision-making.

Politics, both home and abroad, continued to be a big driver of financial markets over the last quarter. Boris Johnson won the Conservative Party leadership contest and has committed to leaving the EU on 31<sup>st</sup> October regardless of whether a deal is reached with the EU. Mr Johnson prorogued Parliament which led some MPs to put forward a bill requiring him to seek a Brexit extension if no deal is in place by 19th October. The move was successful and, having been approved by the House of Lords, was passed into law. The Supreme Court subsequently ruled Mr Johnson's suspension of Parliament unlawful.

Tensions continued between the US and China with no trade agreement in sight and both countries imposing further tariffs on each other's goods. The US Federal Reserve cut its target Federal Funds rates by 0.25% in September to a range of 1.75% - 2%, a pre-emptive move to maintain economic growth amid escalating concerns over the trade war and a weaker economic environment leading to more pronounced global slowdown. The euro area Purchasing Manager Indices (PMIs) pointed to a deepening slowdown in the Eurozone. These elevated concerns have caused key government yield curves to invert, something seen by many commentators as a predictor of a global recession. Market expectations are for further interest rate cuts from the Fed and in September the European

Central Bank reduced its deposit rate to -0.5% and announced the recommencement of quantitative easing from 1<sup>st</sup> November.

The Bank of England maintained Bank Rate at 0.75% and in its August Inflation Report noted the deterioration in global activity and sentiment and confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31<sup>st</sup> October.

**Financial markets:** After rallying early in 2019, financial markets have been adopting a more risk-off approach in the following period as equities saw greater volatility and bonds rallied (prices up, yields down) in a flight to quality and anticipation of more monetary stimulus from central banks. The Dow Jones, FTSE 100 and FTSE 250 are broadly back at the same levels seen in March/April.

Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June, the 5-year benchmark gilt yield fell to 0.32% by the end of September. There were falls in the 10-year and 20-year gilts over the same period, with the former dropping from 0.83% to 0.55% and the latter falling from 1.35% to 0.88%. 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.65%, 0.75% and 1.00% respectively over the period.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth remains a global risk. The US yield curve remains inverted with 10-year Treasury yields lower than US 3-month bills. History has shown that a recession hasn't been far behind a yield curve inversion. Following the sale of 10-year Bunds at -0.24% in June, yields on German government securities continue to remain negative in the secondary market with 2 and 5-year securities currently both trading around -0.77%.

**Credit background:** Credit Default Swap (CDS) spreads rose and then fell again during the quarter, continuing to remain low in historical terms. After rising to almost 120bps in May, the spread on non-ringfenced bank NatWest Markets plc fell back to around 80bps by the end of September, while for the ringfenced entity, National Westminster Bank plc, the spread remained around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 34 and 76bps at the end of the period.

There were minimal credit rating changes during the period. Moody's upgraded The Co-operative Bank's long-term rating to B3 and Fitch upgraded Clydesdale Bank and Virgin Money to A-.

### Local Context

On 31<sup>st</sup> March 2019, the Authority had net borrowing of £52m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	<b>31.3.19 Actual £m</b>
General Fund CFR	57,865
HRA CFR	71,912
<b>Total CFR</b>	<b>129,777</b>
Less: Usable reserves	(69,514)

Less: Working capital	(7,951)
<b>Net borrowing</b>	<b>52,312</b>

The Authority pursued its strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

The treasury management position at 30<sup>th</sup> September 2019 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.19 Balance £m	Movement £m	30.9.19 Balance £m	30.9.19 Rate %
Long-term borrowing	77,999		77,999	
Short-term borrowing	25,794	(7,638)	18,156	
<b>Total borrowing</b>	<b>103,793</b>		<b>96,155</b>	<b>3.36%</b>
Long-term investments	47,496	504	48,000	
Short-term investments	4	1	5	
Cash and cash equivalents	3,981	1,944	5,925	
<b>Total investments</b>	<b>51,481</b>	<b>2,449</b>	<b>53,930</b>	<b>3.09%</b>
<b>Net borrowing</b>	<b>(52,312)</b>		<b>(42,225)</b>	

£6.5m of short term borrowing repaid since 31.3.19 and £1.1m repayment made to the HRA self-financing loan in September. The long term investments are valued at their fair value at 31.3.19 for accounting purposes; the adjustment of £504k is added back to the investments for 30.3.19. The increase in cash and cash equivalents is due to normal cash flow fluctuations.

#### Borrowing Strategy during the period

At 30<sup>th</sup> September 2019 the Authority held £96.2m of loans, a decrease of £7.6m 31<sup>st</sup> March 2019, as part of its strategy for funding previous years' capital programmes. Outstanding loans on 30<sup>th</sup> September are summarised in Table 3 below.

Table 3: Borrowing Position

	31.3.19 Balance £m	Net Movement £m	30.9.19 Balance £m	30.9.19 Weighted Average Rate %
Public Works Loan Board	80,293	(1,138)	79,155	3.36%
Local authorities (short-term)	23,500	(6,500)	17,000	0.84%
<b>Total borrowing</b>	<b>103,793</b>		<b>96,155</b>	

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

In keeping with these objectives, no new borrowing was undertaken in the quarter. This strategy enabled the Authority to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

With short-term interest rates remaining much lower than long-term rates, the Authority considered it to be more cost effective in the near term to use internal resources or borrowed rolling temporary / short-term loans instead.

The Authority has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which also takes into account usable reserves and working capital.

### Treasury Investment Activity

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £48.1 and £53.9 million due to timing differences between income and expenditure. The investment position is shown in table 4 below.

Table 4: Treasury Investment Position

	31.3.19 Balance £m	Net Movement £m	30.9.19 Balance £m	30.9.19 Income Return %
Banks & building societies (unsecured)	347	(265)	82	0.10%
Money Market Funds	3,638	2,210	5,848	0.71%
Other Pooled Funds:				
- Short-dated bond funds	7,981	19	8,000	0.97%
- Strategic bond funds	7,908	92	8,000	2.57%
- Property funds	5,834	166	6,000	4.24%
- Multi asset income funds	25,773	227	26,000	4.56%
Other Pooled Funds Sub-Total	47,496	504	48,000	
<b>Total investments</b>	<b>51,481</b>	<b>2,449</b>	<b>53,930</b>	

The balance of the other pooled funds at 31.3.19 includes accounting adjustments of £504k for unrealised losses, which were included at year-end for statutory reporting purposes (and separately reversed out through a non-useable reserve, as permitted).

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

Given the increasing risk and low returns from short-term unsecured bank investments, the Authority has diversified into more secure and/or higher yielding asset classes as shown in table 4 above. £48m that is available for longer-term investment is currently invested in pooled investment funds rather than bank or building society deposits. As a result, investment risk was diversified.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking - Treasury investments managed in-house

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2019	4.46	AA-	100%	1	3.19
30.09.2019	4.88	A+	100%	1	3.01
<b>Similar LAs</b>	<b>4.26</b>	<b>AA-</b>	<b>61%</b>	<b>80</b>	<b>1.68</b>
<b>All LAs</b>	<b>4.28</b>	<b>AA-</b>	<b>62%</b>	<b>28</b>	<b>1.34</b>

£48m of the Authority's investments are held in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. These funds generated an average total return of 4.52%, comprising 3.30% income return which is used to support services in year, and 1.23% of capital growth.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns will exceed cash interest rates. In light of their performance and the Authority's latest cash flow forecasts, investment in these funds has been

**Readiness for Brexit:** The scheduled leave date for the UK to leave the EU is now 31<sup>st</sup> October 2019 and there remains little political clarity as to whether a deal will be agreed by this date and there is the possibility that the exit date is pushed back yet again. As 31<sup>st</sup> October approaches the Authority will ensure there are enough accounts open at UK-domiciled banks and Money Market Funds to hold sufficient liquidity required in the near term and that its account with the Debt Management Account Deposit Facility (DMADF) remains available for use in an emergency.

### Non-Treasury Investments

The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

Following the approval of the Property Investment Strategy in November 2016, work continues to identify and progress suitable investments to deliver economic regeneration and to generate additional income streams for the future. Additionally, the Property Investment team continues to work on a number of residential developments both utilising DDC owned properties and land, as well as with external developers.

In 2018/19 total income (rent and service charges) of £1.97m was received from the investments made to date, including B&Q, Whitfield Court, Castle Street, garages and shops. Costs including management costs, minimum revenue provision and short term borrowing of £880k were incurred

resulting in retained income for the General Fund of £1.1m. These costs were £360k lower than the 2018/19 budget as no long term borrowing has yet been undertaken to fund the investments with the costs being covered by cash flow and short term borrowing as required. This saving was transferred to earmarked reserves in 2018/19 to allow for possible future void periods and support further investment opportunities.

The 2019/20 budget includes a forecast of total income (rent and service charges) of £1.97m. Costs including management costs, minimum revenue provision and term borrowing of £1.37m are forecast resulting in retained income for the General Fund of £600k.

### **Treasury Performance**

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

**Table 6: Performance**

	Actual £000	Budget £000	Over/ under	Actual %	Benchmark %	Over/ under
<b>Interest Received</b>	1,675	1,824	(149)	3.09	0.67	2.42
<b>Interest Payable</b>	2,762	2,762	0	3.36	3.36	0

### **Compliance**

The Chief Finance Officer reports that all treasury management activities undertaken during the quarter complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 7 below.

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

**Table 7: Debt Limits**

	30.9.19 Actual £m	2019/20 Operational Boundary £m	2019/20 Authorised Limit £m	Complied?
Borrowing	96.1	333	338.5	✓

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

**Table 8: Investment Limits**

	30.9.19 Actual	2019/20 Limit	Complied?
Any single organisation, except the UK Government	<£1m	£8m per bank	✓
Any group of organisations under the same ownership	0	£16m per group	✓

Negotiable instruments held in a broker's nominee account	0	£15m	✓
UK Government	0	Unlimited	✓
Unsecured investments with building societies	0	£8m	✓
Pooled Investment Funds	£48m	£10m per fund	✓
Operation bank	<£1m	£20m	✓
Money Market Funds	£5.8m	£10m per fund	✓

### Treasury Management Indicators

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

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

	30.9.19 Actual	2019/20 Target	Complied?
Portfolio average credit rating	4.88	6	✓

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

	30.9.19 Actual	2019/20 Target	Complied?
Total cash available within 3 months	£5.9m	£8m	✓

**Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interests was:

Interest rate risk indicator	30.9.19 Actual	2019/20 Limit	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	539	600	✓
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	539	600	✓

The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

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

	<b>30.9.19 Actual</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Complied?</b>
Under 12 months	18.2m	25%	0%	✓
12 months and within 24 months	£3.5m	50%	0%	✓
24 months and within 5 years	£7.7m	50%	0%	✓
5 years and within 10 years	£15.5m	100%	0%	✓
10 years and	£51.2m	100%	0%	✓

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

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

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Actual principal invested beyond year end	0	0	0
Limit on principal invested beyond year end	£30m	£30m	£30m
Complied?	✓	✓	✓

## Outlook for the remainder of 2019/20

The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased dramatically.

There appears no near-term resolution to the trade dispute between China and the US, a dispute that the US appears comfortable exacerbating further. With the 2020 presidential election a year away, Donald Trump is unlikely to change his stance.

Parliament appears to have frustrated UK Prime Minister Boris Johnson's desire to exit the EU on 31st October. The probability of a no-deal EU exit in the immediate term has decreased, although a no-deal Brexit cannot be entirely ruled out for 2019 and the risk of this event remains for 2020. The risk of a general election in the near term has, however, increased.

Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

Our treasury advisor Arlingclose expects Bank Rate to remain at 0.75% for the foreseeable future but there remain substantial risks to this forecast, dependant on Brexit outcomes and the evolution of the global economy. Arlingclose also expects gilt yields to remain at low levels for the foreseeable future and judge the risks to be weighted to the downside and that volatility will continue to offer longer-term borrowing opportunities

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
<b>Official Bank Rate</b>													
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Cas	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75

Organisation	Issue Date	Book cost	Market yield %	Government	Options available
<b>Sovereign Debt rating</b>					
<b>In-house investments - Long Term</b>					
CCLA Property investment Fund	30/06/2017	3,000,000	4.36% UK - Gov 'AA'		5 Years +
CCLA Property investment Fund	31/07/2017	3,000,000	4.37% UK - Gov 'AA'		5 Years +
Investec Diversified Income Fund	15/12/2017	6,000,000	4.57% UK - Gov 'AA'		5 Years +
Columbia Threadneedle Strategic Bond Fund	15/12/2017	6,000,000	4.42% UK - Gov 'AA'		5 Years +
Payden and Rygel	28/02/2018	8,000,000	0.85% UK - Gov 'AA'		2 Years +
Investec Diversified Income Fund	01/08/2018	2,000,000	4.57% UK - Gov 'AA'		5 Years +
Investec Diversified Income Fund	03/09/2018	2,000,000	4.57% UK - Gov 'AA'		5 Years +
CCLA Diversified Income Fund	20/09/2018	8,000,000	3.06% UK - Gov 'AA'		5 Years +
Columbia Threadneedle Strategic Bond Fund	13/12/2018	2,000,000	3.23% UK - Gov 'AA'		5 Years +
Kames Diversified Monthly Income Fund	28/02/2019	8,000,000	5.00% UK - Gov 'AA'		5 Years +
		<b>48,000,000</b>			
		<b>48,000,000</b>	<b>Total Portfolio</b>		

**Cashflow:**

**Call Accounts/MMF (as at 30/09/19)**

	Rate
Global Treasury Fund (Goldman Sachs Money Market Fund)	520,106      0.71%
Standard Life Investments (Money Market Fund)	5,328,000      0.76%
Natwest SIBA	42,281      0.20%
Santander	503      0.05%
Bank of Scotland	5,017      0.65%
HSBC Business Acc	0      0.00%
Barclays	34,314      0.00%

Total Cash flow **5,930,220**

Total Portfolio ar **53,930,220**

Interest Type	Date Loan Taken Out	Date Loan Matures	Repayment Dates	Loan Number	Principal Balance 01-Apr-19	Interest Rate %	Principal To Be Repaid 2019/20	Principal Balance 31-Mar-20	Interest Payable 2019/20	Lender	Type of loan
<b>Long Term Borrowing</b>											
Fixed	02/10/1997	02/10/2057	APR-OCT	479961	1,000,000	6.75		1,000,000	67,500	PWLB	Principal due on Maturity
Fixed	28/05/1997	28/05/2057	MAY-NOV	479542	2,000,000	7.38		2,000,000	147,500	PWLB	Principal due on Maturity
Fixed	23/08/1946	23/06/2026	JUNE-DEC	131582	290	2.50	45	245	7	PWLB	Equal Instalment of Principal (EIP)
Fixed	27/09/1946	27/06/2026	JUNE-DEC	131583	54	2.50	8	45	1	PWLB	Equal Instalment of Principal (EIP)
Fixed	16/11/2001	30/09/2026	SEPT-MAR	486237	1,000,000	4.75		1,000,000	47,500	PWLB	Principal due on Maturity
Fixed	26/03/2012	26/03/2042	SEPT-MAR	499853	76,291,758	3.18	2,293,822	73,997,937	2,407,986	PWLB	Annuity (HRA Financing)
<b>Short Term Borrowing</b>											
Fixed	17/12/2018	16/12/2019	On Maturity		5,000,000	1.10	5,000,000	0	39,178	Hampshire County Council	Short term loan for Strategic cash flow purposes
Fixed	03/09/2019	01/11/2019			0	0.71	7,000,000	0	8,034	Middlesbrough Council	Short term loan for Strategic cash flow purposes
Fixed	03/09/2019	01/11/2019			0	0.71	5,000,000	0	5,738	Middlesbrough Council	Short term loan for Strategic cash flow purposes
Fixed	01/05/2012	01/11/2027	MAY-NOV		5,000,000		17,000,000	0	52,950	Lawn Tennis Association	Sub-total
					69,676	0.00	8,710	60,966	0		Interest free
					80,361,778		2,302,584	78,059,194	2,723,445		

<b>Organisation</b>	<b>Issue Date</b>	<b>Book cost</b>	<b>Market yield</b>	<b>Government</b>	<b>Options available</b>
<b>In-house investments - Long Term</b>					
CCLA Property investment Fund	30/06/2017	3,000,000	4.36%	UK - Gov 'AA'	5 Years +
CCLA Property investment Fund	31/07/2017	3,000,000	4.37%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	15/12/2017	6,000,000	5.09%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	15/12/2017	6,000,000	4.74%	UK - Gov 'AA'	5 Years +
Payden and Rygel	28/02/2018	8,000,000	0.97%	UK - Gov 'AA'	2 Years +
Investec Diversified Income Fund	01/08/2018	2,000,000	5.09%	UK - Gov 'AA'	5 Years +
Investec Diversified Income Fund	03/09/2018	2,000,000	5.09%	UK - Gov 'AA'	5 Years +
CCLA Diversified Income Fund	20/09/2018	8,000,000	3.85%	UK - Gov 'AA'	5 Years +
Columbia Threadneedle Strategic Bond Fund	13/12/2018	2,000,000	4.74%	UK - Gov 'AA'	5 Years +
Kames Diversified Monthly Income Fund	28/02/2019	8,000,000	6.06%	UK - Gov 'AA'	5 Years +
				<b>48,000,000</b>	
				<b>48,000,000</b>	<b>Total Portfolio</b>

**Cashflow:**

<b>Call Accounts/MMF (as at 31/10/19)</b>	<b>Rate</b>
Global Treasury Fund (Goldman Sachs Money Market Fund)	1,106      0.67%
Standard Life Investments (Money Market Fund)	1,000      0.74%
Natwest SIBA	7,248,130      0.20%
Santander	503      0.05%
Bank of Scotland (BOS)	5,017      0.65%
HSBC Business Acc	0      0.00%
Barclays	34,314      0.00%
<b>Total Cash flow</b>	<b>7,290,070</b>

<b>Subject:</b>	<b>ANNUAL COMPLAINTS REPORT</b>
<b>Meeting and Date:</b>	<b>Governance Committee – 21 January 2020</b>
<b>Report of:</b>	<b>Louise May, Head of Governance</b>
<b>Decision Type:</b>	<b>Non-Key</b>
<b>Classification:</b>	<b>Unrestricted</b>
<b>Purpose of the report:</b>	This report documents the number of complaints dealt with through the corporate complaints process for the financial years 2018/19 and 2019/20.
<b>Recommendation:</b>	That the report be noted.

## 1. Summary

This report highlights the number of complaints received for each service provided by the Council, for the financial years 2018/19 and 2019/20 to date, and indicates where the number has risen or decreased.

## 2. Introduction and Background

- 2.1 The Council has a two stage corporate complaints process. The first stage is for the relevant department to respond. If the complainant remains dissatisfied, they can request a stage 2 review by Corporate Services. The Local Government & Social Care Ombudsman provides an independent free service for the public if they are unhappy with the way in which a local authority (not town or parish council) has dealt with an issue. The Ombudsman would normally require the matter to have been through the Council's complaints process first.
- 2.2 The number of complaints for the current financial year to date has been reviewed. There are a number of services where the amount of complaints received has increased slightly but also some that have decreased. There appears to be no obvious trends to report although with three months until year end it is likely that the overall number of complaints received will increase from the previous financial year.
- 2.3 Of the complaints received by the Local Government and Social Care Ombudsman, eight decisions were made in the 2018/19 financial year. One of these complaints was upheld and it related to administrative failings during a planning enforcement investigation. The Ombudsman was of the opinion that failure to locate the correct property on the initial visit resulted in delay and frustration for the complainant. The Council apologised for the delay and compensation was awarded in respect of the time and trouble taken by the complainant.

## 3. Resource Implications

- 3.1 None.

## 4. Appendices

Appendix 1 – Summary of complaints received during 2018/19 and 2019/20.

**5. Background Papers**

File C23/5 – Complaints

Contact Officer: Sue Carr, Corporate Services Officer

## Summary of Complaints received during 2018/19 and 2019/20

Service	1 April 2018 to 31 March 2019				1 April 2019 to 31 December 2019				Increase/ Decrease	
	Resolved at:				Resolved at:					
	Stage 1	Stage 2	LGO	Total	Stage 1	Stage 2	LGO	Total		
Anti-Social Behaviour	0	0	0	0	1	0	0	1	+1	
Building Control	0	0	0	0	0	2	0	2	+2	
Benefits	5	2	0	7	5	2	1	8	+1	
Community	0	0	0	0	1	0	0	1	+1	
Council Tax & NNDR	26	3	2	31	30	1	3	34	+3	
Customer Services	5	0	0	5	2	0	0	2	-3	
Environmental Protection	0	1	0	1	5	0	0	5	+4	
Environmental Health - Licensing	0	0	0	0	0	0	0	0	-	
Finance	0	0	0	0	1	0	0	1	+1	
Governance	1	3	0	4	0	0	0	0	+4	
Housing Options	6	3	0	9	1	2	0	3	+6	
Parks & Open Spaces	0	3	0	3	1	0	0	1	-2	
Parking Services	3	2	0	5	4	0	1	5	-	
Private Sector Housing	0	0	0	0	1	0	0	1	+1	
Planning	1	3	0	4	7	0	0	7	+3	
Planning Enforcement	5	3	0	8	4	2	1	7	-1	
Property Services	4	1	1	6	1	2	0	3	-3	
Regeneration	0	0	0	0	0	0	0	0	-	
Revenues	0	0	0	0	0	0	0	0	-	
Waste Services	10	0	0	10	6	0	0	6	-4	
<b>Total</b>	<b>66</b>	<b>24</b>	<b>3</b>	<b>93</b>	<b>70</b>	<b>11</b>	<b>6</b>	<b>87</b>	<b>-6</b>	