



Tuesday, 17 September 2019

AUDIT COMMITTEE

A meeting of **Audit Committee** will be held on

Wednesday, 25 September 2019

commencing at **2.00 pm**

The meeting will be held in the Meadfoot Room, Town Hall, Castle Circus,
Torquay, TQ1 3DR

Members of the Committee

Councillor Loxton (Chairman)

Councillor Dart

Councillor Heyse

Councillor Hill

Councillor Howgate

Councillor Kennedy

Councillor O'Dwyer

A prosperous and healthy Torbay

For information relating to this meeting or to request a copy in another format or language please contact:

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AUDIT COMMITTEE AGENDA

1. **Apologies**
To receive any apologies for absence, including notifications of any changes to the membership of the Committee.
2. **Minutes** (Pages 4 - 6)
To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 18 June 2019.
3. **Declarations of interests**
 - (a) To receive declarations of non pecuniary interests in respect of items on this agenda
For reference: Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.
 - (b) To receive declarations of disclosable pecuniary interests in respect of items on this agenda
For reference: Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

(**Please Note:** If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)
4. **Urgent Items**
To consider any other items that the Chairman decides are urgent.
5. **Grant Thornton - The Audit Findings for Torbay Council** (To Follow)
To consider the report on the above.
6. **Statement of Accounts and Annual Governance Statement 2018/2019** (To Follow)
To consider a report that seeks approval of the Council's Statement of Accounts for 2018/2019.
7. **Treasury Management Mid-Year Review 2019/20** (Pages 7 - 19)
To consider a report that reviews the Treasury Management activities during the first part of 2019/20.

8. **Housing Benefit Subsidy Certification - Financial Year 2017/18** (Pages 20 - 25)
To receive an update on the above.
9. **Corporate Fraud Update** (To Follow)
To consider a report on the above.
10. **Performance and Risk Report Quarter 1 2019/20** (Pages 26 - 47)
To note the Quarter 1 Performance and Risk report.
11. **Planned Audit Fee for 2019/20** (Pages 48 - 50)
To note the letter setting out the audit fee for 2019/20.
12. **Whistleblowing Complaints** (Pages 51 - 52)
To note the report.



Minutes of the Audit Committee

18 June 2019

-: Present :-

Councillors Dart, Heyse, Hill, Howgate, Loxton, O'Dwyer and Bye

178. Election of Chairman/woman

Councillor Loxton was elected Chairman for the 2019/2020 Municipal Year.

Councillor Loxton in the Chair.

179. Appointment of Vice-Chairman/woman

Councillor Heyse was appointed Vice-Chairman for the 2019/2020 Municipal Year.

180. Apologies

It was reported that, in accordance with the wishes of the Conservative Group, the membership of the Committee had been amended for this meeting by including Councillor Bye instead of Councillor Kennedy.

181. Minutes

The Minutes of the meeting of the Audit Committee held on 26 March 2019 were confirmed as a correct record and signed by the Chairman.

182. Audit Committee Terms of Reference

Members noted the Terms of Reference for the Audit Committee and discussed the benefits of recruiting an Independent Person to provide continuity following an election.

Resolved:

That the Head of Governance prepare a person specification and advert to recruit an Independent Person.

183. Annual Audit Report 2018-19

Members noted the Annual Audit Report for 2018-19. The Head of the Devon Audit Partnership informed Members that the Internal Audit Plan for 2018-19 was presented and approved by the Audit Committee in March 2018. The Annual Audit Report being considered by Members reviewed the work undertaken by

Internal Audit during 2018-19 and provided an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Head of the Devon Audit Partnership advised that based on the work performed and Internal Audit's experience from previous years, the Head of Internal Audit's Opinion was one of 'limited assurance' on the adequacy and effectiveness of much of the Authority's internal control framework. The exception being the Corporate Directorate where the Head of Internal Audit was able to provide 'Substantial Assurance'. The Head of the Devon Audit Partnership explained that there were some fundamental weaknesses found by Internal Audit with management putting in place plans to address the issues identified.

The Interim Director of Place briefed Members on the fundamental weaknesses within his Directorate and responded to Members questions.

184. Annual Governance Statement 2018/2019

Members considered a report that set out the Annual Governance Statement. Members were advised that the Annual Governance Statement provided the opportunity for the organisation to review its processes, controls and objectives and to provide assurance to Members, Senior Officers and stakeholders as to the reliability of its statement of accounts and the probity of its operations.

Resolved:

- i) That subject to the following amendments:
 - a) the section titled 'Partnership Working' being amended to make reference to the Local Enterprise Partnership;
 - b) the section titled 'Taking informed and transparent decisions which are subject to effective scrutiny and managing risk' being amended to include details of the Investment and Regeneration Committee including the requirement of the Investment and Regeneration Strategy to seek due diligence on investments; and
 - c) reference being made in respect of TOR2.

The draft Annual Governance Statement for 2018/2019 be agreed and forwarded to the External Auditors for comment; and

- ii) That the final Annual Governance Statement be presented to the Audit Committee when it considers the Statement of Accounts.

185. Treasury Management Outturn 2018/19

The Committee considered a report that provided details of the performance of the Treasury Management function in supporting the provision of Council services in 2018/19 through management of cash flow, debt and investment operations and the effective control of the associated risk.

The Head of Finance highlighted to Members:

- New borrowing of £33 million taken to fund the Capital Investment Fund and Capital Plan;
- Capital Financing Requirement fully funded at year end;
- Reduction in the overall average borrowing rate to 3.29%
- Annual investment rate achieved exceeded the market benchmark.

Members resolved:

- i) that the Treasury Management decisions made during 2018/19, as set out in the submitted report be noted; and
- ii) that the performance against the approved Prudential and Treasury Indicators as set out in Appendix 1 to the submitted report be noted.

186. Corporate Performance Report: Quarter 4 2018/19

Members received and noted the Corporate Performance Report for quarter four. The Head of Information Governance and Data Protection Officer drew Members attention to a number of areas including agency staff costs and handling of stage one complaints.

187. Audit Progress Report and Sector Update

Members noted a report that provided an update on the progress made by Grant Thornton to deliver their responsibilities as the Council's external auditors. The report also included a summary of emerging national issues and developments that were relevant to the Council.

Chairman/woman



**Meeting: Audit Committee
Council**

**Date: 25th September 2019
24th October 2019**

Wards Affected: All Wards in Torbay

Report Title: Treasury Management Mid-Year Review 2019/20

Is the decision a key decision? No

When does the decision need to be implemented? Immediate

Executive Lead Contact Details: Councillor Darren Cowell,
Darren.Cowell@torbay.gov.uk

Supporting Officer Contact Details: Pete Truman, Principal Accountant,
pete.truman@torbay.gov.uk

1. Proposal and Introduction

1.1 This report provides Members with a review of Treasury Management activities during the first part of 2019/20. The Treasury function aims to support the provision of all Council services through management of the Council's cash flow and debt & investment operations.

1.2 The key points in the Treasury Management review are as follows:

- New borrowing of £32million taken in year to date (as at early September 2019)
- Substantial increases approved to the Capital Plan for the Torbay Economic Growth Fund (£100k) and Investment & Regeneration Fund (increased by £100k) but with spending assumed in later years
- Re-profiling of capital expenditure reducing the overall borrowing need in 2019/20 but no change to the approved borrowing limits
- Total borrowing currently over-borrowed ahead of completion of Investment Fund acquisitions. Primary strategy of internal borrowing remains in place.
- Revised interest rate forecast with delayed rise in Bank Rate.
- Investment performance exceeding the Benchmark

2. Reason for Proposal

2.1 The preparation of a mid-year review on the performance of the treasury management function forms part of the minimum formal reporting arrangements

forward thinking, people orientated, adaptable - always with integrity.

required by the CIPFA Code of Practice for Treasury Management.

3. Recommendation(s) / Proposed Decision

Audit Committee

- 3.1 that the Audit Committee provide any comments and/or recommendations on the Treasury Management decisions made during the first part of 2019/20.

Council

- 3.2 that the Treasury Management decisions made during the first part of 2019/20 as detailed in this report be noted.

4. Background Information

- 4.1 The original Treasury Management Strategy for 2019/20 was approved by Council on 7th February 2019.

- 4.2 The Council defines its treasury management activities as:

“The management of the authority’s investments and cash flows, it’s banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

- 4.3 This report is in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy’s (CIPFA) Code of Practice on Treasury Management (revised 2017).

- 4.4 This mid-year review has been prepared in compliance with the CIPFA Code of Practice and covers the following:

- Economic and Interest Rate update;
- Review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council’s capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- Review of the Council’s Borrowing strategy 2019/20;
- Debt Rescheduling Opportunities 2019/20;
- Review of the Council Investments 2019/20;
- Revenue Budget 2019/20 Performance
- Non-Treasury Investments

5. Economic and Interest Rate Update

- 5.1 The revised forecasts (as at August 2019) from the Council’s treasury advisors, Link Asset Services are detailed in the table below.

Link Asset Services Interest Rate View											
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	1.20	1.30	1.50	1.60	1.70	1.70	1.80	1.90	2.00	2.00	2.10
10yr PWLB Rate	1.50	1.60	1.80	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
25yr PWLB Rate	2.10	2.30	2.40	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00
50yr PWLB Rate	2.00	2.20	2.30	2.40	2.50	2.60	2.60	2.70	2.80	2.90	2.90

5.2 It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its last meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies.

5.3 The above forecasts have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth.

5.4 An economic update by Link Asset Services is provided at Appendix 1 to this report

6 Treasury Management Strategy Statement and Annual Investment Strategy Update

6.1 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

7 The Council's Capital Position (Prudential Indicators)

This following section is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

7.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure at Q1 (draft) 2019/20	2019/20 Original Estimate £m	Current Position £m	2019/20 Revised Estimate £m
Services	60	13	49
Commercial Activities/non-financial investments	31	15	30
Total capital expenditure	91	28	79

7.2 In July 2019 Council approved a capital provision of £100k for the creation of the Torbay Economic Growth Fund and an increase in the Investment and Regeneration Fund by £100k to £300k. The spend for these items has been profiled to future years and therefore not included in the above. However, actual spend and associated borrowing are likely to be fluid so above estimates will be adjusted in the event of any advance to the spend profile.

7.3 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure at Q1 (draft) 2019/20	2019/20 Original Estimate £m	2019/20 Revised Estimate £m
Total capital expenditure	91	79
Financed by:		
Capital receipts	2	1
Capital grants	10	15
Capital contributions	2	2
Capital reserves	1	2
Revenue	2	0
Borrowing requirement	74	59

7.4 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The following tables show the CFR, which is the underlying external need to incur borrowing for a capital purpose, and the level at which that borrowing is not normally expected to exceed which is termed the Operational Boundary.

	2019/20 Original Estimate £m	2019/20 Revised Estimate £m
Total CFR	411	375
Net movement in CFR	66	55

	2019/20 Original Estimate £m	Current Position £m	2019/20 Revised Estimate £m
Prudential Indicator – the Operational Boundary for external debt			
Borrowing	450	334	450
Other long term liabilities*	20	18	20
Total debt (year end position)	470	352	470

* On balance sheet PFI schemes and finance leases etc.

7.5 Borrowing levels are currently well within the Operational Boundary which was set in February prior to the approvals for the Torbay Economic Growth Fund and Investment & Regeneration Fund. Should expenditure be applied earlier than anticipated it is acceptable for the Operational Boundary to be exceeded for a temporary period (until approval of the next Treasury Management Strategy Statement) provided that the Authorised Limit (para 7.8 below) is not breached.

7.6 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose*. Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

7.7 At the time of writing, the Borrowing activity estimates are as set out in the table below. However, these may be impacted by any reprofiling of capital spend outlined in para 7.2 above.

	2019/20 Original Estimate £m	Current Position £m	2019/20 Revised Estimate £m
Borrowing	285	334	357
Other long term liabilities*	18	18	18
Total debt	302	350	375
CFR* (year end position)	411		375

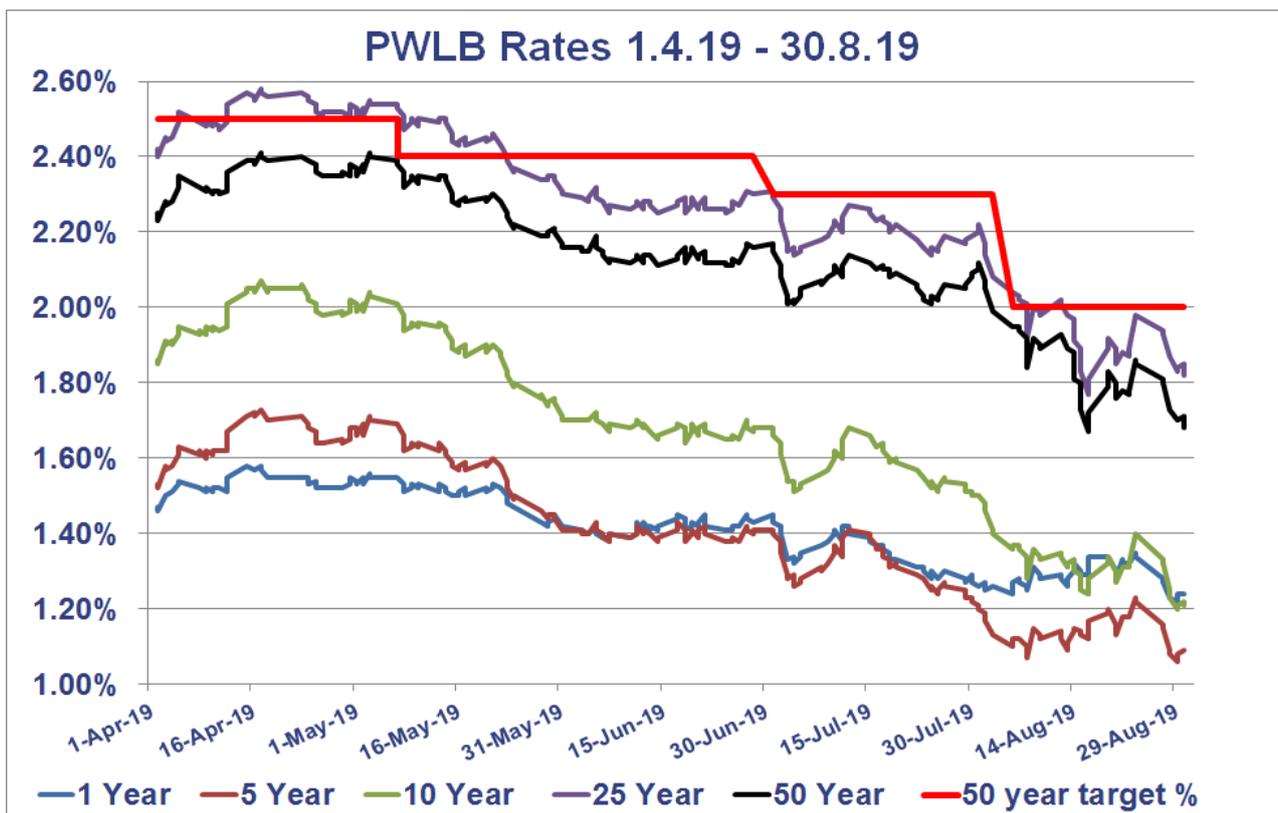
* Includes on balance sheet PFI schemes and finance leases etc.

7.8 A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2019/20 Original Indicator	Current Position	2019/20 Revised Indicator
Borrowing	500	334	500
Other long term liabilities*	20	18	20
Total	520		520

8 Borrowing Portfolio 2019/20

8.1 The graph below illustrates the downward path of borrowing rates through the first part of the year, driven by political and economic uncertainties and with parliamentary turmoil driving levels to exceptionally low levels at the end of August.



8.2 The Head of Finance has approved new loans at successive low points along this downward path to fund. New borrowing taken during the first part of the year (as at early September) is summarised in the table below.

Total	£32 million
Lender	Public Works Loan Board
Average rate	2.00%
Average term	39 years

- 8.3 In light of the advantageous rate environment the CFO has suspended the primary strategy of using internal cash resources to fund capital, in order to maximise a prudent level of borrowing at the prevailing low rates and ensuring affordability of the approved Capital Plan.
- 8.4 Overall borrowing stands at £334.5 million and at the point of this report is around £17M over-borrowed to the Capital Financing Requirement. The expected completion of two Investment & Regeneration Fund schemes in the next few weeks will see borrowing revert to an under-borrowed position.
- 8.5 The aim of utilising internal cash to fund part of the requirement in the short term remains the primary strategy but should borrowing rates continue at current levels the Head of Finance will continue to maximise external borrowing to a prudent level in line with actual and committed capital spend.
- 8.6 The lender of first resort remains the Public Works Loan Board and no alternative instruments offered any advantage to warrant consideration this year. The Council remains eligible to the discounted Certainty Rate (20 basis points below standard published PWLB levels) and the application to continue eligibility for the coming year has been successfully lodged.

9 Debt Rescheduling

- 9.1 Debt rescheduling opportunities have been prohibitive in the current economic climate given the consequent structure of interest rates, and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. No debt rescheduling has therefore been undertaken to date in the current financial year.

10 Investment Portfolio 2019/20

- 10.1 In line with the primary strategy, cash has generally been kept in short term and instant access facilities to be available to fund revenue and capital outlay. Extensive use has been made of money market funds averaging around 0.75%.
- 10.2 Cash levels at the time of this report exceed £80million which reflect the normal elevated levels during the first few months of the financial year but which are higher than normal due to new borrowing pending completion of capital schemes. A fall in cash balances is expected down to around £50million by end of September from capital spend and should reduce further by year end.
- 10.2 The increase in cash levels and the forecast delay in interest rate rises prompted a shift to locking a proportion of cash into longer term deposits (i.e. up to 1 year) at an average rate of 1.13%
- 10.3 At the commencement of the year, £15 million of core cash was held within one-year term deposits and the CCLA Property Fund. The term deposits, averaging 1.03%, all mature in 2019.
- 10.4 The CCLA Property Fund continues to perform adequately with a Q1 return of 4.59%. The impact of new financial reporting standards (IFRS9) and the recent MHCLG consultation on a temporary override is a key consideration on future levels held in the Fund.

10.5 At the end of August 2019 the overall investment performance stood at 1.05% against the market benchmark rate of 0.57%.

10.6 Counterparties with which funds were deposited (April 2019 – August 2019):

Banks

Goldman Sachs International Bank
Lloyds Bank
Nat West Bank
Santander UK
Svenska Handelsbanken
Bank of Scotland

Other Approved Institutions

Public Sector Deposit Fund
Goldman Sachs Sterling Fund
Aberdeen Asset Management
Funding Circle

Local Authorities

Lancashire County Council
Slough Borough Council
PCC of Northumbria
Moray Council
Mid Suffolk District Council

10.7 The Head of Finance confirms that the approved limits within the Annual Investment Strategy were not breached during the period of this report.

11 Revenue Budget Performance

11.1 The net revenue budget for treasury management is projected to be underspent after additional interest payable on new borrowing, increased interest received on higher cash balances and adjustments to MRP.

As at end August 2019	Revised Budget 2019/20	Projected Outturn 2019/20	Variation
	£M	£M	£M
Investment Income	(0.4)	(0.7)	(0.3)
Interest Paid on Borrowing	10.0	10.4	0.4
Net Position (Interest)	9.6	9.7	0.1
Minimum Revenue Provision	5.0	4.5	(0.5)
Net Position (Other)	5.0	4.5	(0.5)
Net Position Overall	14.6	14.2	(0.4)

12 Non- Treasury Investments

12.1 The revised Code of Practice issued in December 2017 increased the scope to incorporate governance of Non-Treasury Investments (NTIs) following the increase in commercial activities by Local Authorities.

12.2 In line with this guidance the current activities being undertaken by Torbay Council are set out at Appendix 2.

Appendices

Appendix 1: Economic Update

Appendix 2: Non-Treasury Investments

Background Documents

[Treasury Management Strategy 2019/2020](#)

Economics update (provided by Link Asset Services, August 2019)

UK. This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or 31 October, with or without a deal. However, so far, there has been no majority of MPs for any one option to move forward on enabling Brexit to be implemented. At the time of writing, (first week in September), the whole political situation in the UK over **Brexit** is highly fluid and could change radically by the day. The vote in the Commons on 3 September looks likely to lead to a delay in the date for Brexit to 31 January 2020, but there is also likelihood that there will be an imminent general election. In such circumstances, any interest rate forecasts are subject to material change as the situation evolves. At present, if the UK does soon achieve an agreed deal on Brexit, including some additional clarification wording on the Irish border backstop, then it is possible that growth could recover quickly. The MPC could then need to address the issue of whether to raise Bank Rate when there is very little slack left in the labour market; this could cause wage inflation to accelerate which would then feed through into general inflation. On the other hand, if there was a no deal Brexit and there was a significant level of disruption to the economy, then growth could falter and the MPC would be likely to cut Bank Rate in order to support growth. However, with Bank Rate still only at 0.75%, it has relatively little room to make a big impact and the MPC would probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by way of tax cuts and / or expenditure on infrastructure projects, to boost the economy. However, infrastructure projects generally take a long time to plan and to start up, and so to feed through into impacting the economy; tax cuts would be much quicker in impacting the level of consumption in the economy.

The first half of 2019/20 has seen UK **economic growth** fall as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. This mirrored investor confidence around the world which is now expecting a significant downturn or possibly even a recession in some developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, (July 2.1%), and is likely to shift only a little upwards over the rest of 2019/20. It does not therefore pose any immediate concern to the MPC at the current time.

With regard to the **labour market**, despite the contraction in quarterly GDP growth of -0.2%q/q, (+1.2% y/y), in quarter 2, employment rose by 115,000 in the same quarter: this suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Unemployment has continued near to a 44 year low, edging up from 3.8% to 3.9% on the Independent Labour Organisation measure in June; however, that was caused by a rise in the participation rate to an all-time high. Job vacancies fell for a sixth consecutive month, hitting record levels, and indicating that employers are having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to a high point of 3.9%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 1.8%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This could mean that the MPC will need to take action to raise Bank Rate if there is an agreed Brexit deal as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the **political arena**, if there is a general election soon, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a

weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. Financial markets are, however, expecting another cut in September. Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

BOND YIELDS. It is this souring of investor confidence that has largely contributed to the sharp fall in bond yields on government debt in mid-2019 in the major western economies as investors have switched out of risky assets - equities, fearing an impending recession, and buying into bonds, so pushing their prices up and correspondingly, pushing yields down. Investors have little confidence that the US China trade war will have a satisfactory outcome in the near future and both sides look as if they are digging in to entrenched positions. However, most domestic US economic indicators are not currently pointing to a recession in the US, only to a slowing of growth. Provided the major world economies do avoid recession, then it is likely that there will be some reversal of this flow from equities into bonds and, therefore, that bond yields will recover to a limited extent from recent truly exceptional lows. However, the near-term reality is that we have seen 10 year bond yields fall below 2 year yields in the US; this has historically been a prime indicator of impending recession in the US, though this correlation has been much weaker in the UK. All German bond yields between 2 and 30 years are actually negative while many other EZ countries have bond yields which are also negative, at least in some maturity years.

EUROZONE. Growth has been slowing from +1.9% during 2018 to +0.4% q/q (+1.2% y/y) in quarter 1 and then to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 5.2% y/y in June with car production especially being hit. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars. The ECB meeting in July expressed concern as to the weak outlook for growth and how low inflation was despite all the monetary stimulus the bank still has in place. The ECB is therefore expected to take action to cut its main rate of -0.4% further, but only marginally, and to look at the potential for more quantitative easing and/or other instruments of monetary policy to provide further stimulus to economic growth. On the political front, Spain and Italy are in the throes of trying to form coalition governments while the very recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. The trade war with the US does not appear to have had a significant effect on GDP growth as yet as some of the impact of tariffs has been offset by falls in the exchange rate and by transshipping exports through other countries, rather than directly to the US.

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

Non Treasury Management Investments

11th September 2019

Investment Properties				
The criteria the Council has adopted for the recognition of an investment priorities is :-				
A property held primarily to generate rental income or for capital appreciation or both.				
A property that is used solely to facilitate delivery of services, or to facilitate delivery of services as well as rentals does not meet the definition.				
Asset	Value at 31.03.2019 *	Year Purchased	Purchase Price for investment and regeneration fund assets	Asset life for the calculation of MRP
	£ million		£ million	years
Distribution Warehouse at Medway	28.8	2017/18	31.4	50
Ferndown	26.1	2017/18	27.5	50
Fugro House	19.8	2017/18	20.6	50
Gadeon House	15.3	2017/18	16.9	50
Gala Bingo Club	0.3	n/a	n/a	n/a
Torquay Golf Course (Petitor)	1.2	n/a	n/a	n/a
Unit 3 Riviera Park	0.8	n/a	n/a	n/a
Waterside Caravan Park	2.5	n/a	n/a	n/a
Wren Retail Park	18.1	2016/17	21.1	50
Twyver House, Gloucester Purchase Price £12m	12.3	2018/19	12.5	50
Woodwater House Exeter Purchase Price £10m	9.3	2018/19	9.9	50
The Range, Babbacombe	8.8	2018/19	8.8	35
Lucknow Road, Bodmin	2.8	2018/19	3.0	35
SubTotal	146.1			
Investment Assets under construction				
Travelodge, Chippenham	0.1	2019/20	0.1	35
Distribution facility, Exeter	2.6	2019/20	2.3	35
Sub Total as at 31.3.19	148.8			
	Purchase Price			
	£ million			
2019/20 investments as at 11/9/19				
Crown Records, Exeter	1.8	2019/20	1.8	50
Total	150.6			

* Note: Valuation are made inline with the CIPFA Accounting Code as required for the Council's Statement of Accounts

Loans (over £50k balance outstanding)

All loans over £50k have received Council or Investment Committee Approval in line with Financial Regulations

Debtor	Value Principal	Loan Term (years)	Remaining term as at 31/03/19	Interest rate per annum	Outstanding Balance 31.03.2019	Draw Downs in 2019/20	Note	Mitigation of risk
	£ million				£ million			
Care Home Provider	1.3	10	8 years and 8 months	5%	1.1			legal charges in place
Parkwood Leisure	1.7	12	12 years	4.80%	1.7			asset leased from Council
South Devon college	4.0	25	23 years & 3 months	2.80%	3.7			None - Council decision to accept risk as public sector
TEDC - Cockington Car Park	0.6	n/a		n/a	0.0		Not yet taken up	Wholly owned subsidiary of the Council
TEDC - Kings Ash House	1.5	25	23 years & 3 months	4.50%	1.4			

Loans (over £50k balance outstanding)							
THAT Group	9.3	Capital repayment starts in 2025 (7 years after the agreement)	36 years from 2025	A margin of 4.5% plus B of E base rate at applicable date	0.0	5.1	Full amount of loan will be drawn down by 31/12/19 legal agreement and personal guarantee
Total	18.4				7.9		

Guarantees

None as at 31.3.19

Pension Guarantees (to Pension Fund not Employer)

Employer	Nature of Guarantee **	Fund Start Date	Bond Renewal Date	Existing Bond Amount £'000	***2017 Assessed Risk £'000	Mitigation of risk
Action for Children	A	01.08.2012	31.12.2016	80	22	Council contract
Mama Bears	A	08.12.2012	08.01.2018	22	9	Council contract
Healthwatch Torbay	A	01.05.2013	Cash held in Escrow A/C with DCC	13	21	Escrow a/c
Churchill Services (Sherwell Valley)	A	01.10.2014	30.09.2017	24	7	Low value
Torbay Community Development Trust	A	01.03.2014	Cash held in Escrow A/C with DCC	21	18	Escrow a/c
Sanctuary Housing (Intergrated Domestic Abuse)	A	02.09.2014	01.10.2019	10	39	Bond in place until 1.10.19
Torbay Coast and Countryside Trust	C	01.12.1999	n/a	n/a	223	linked charity
Tor 2 Waste (Kier PCG)	C	19.07.2010	n/a	n/a	324	pass through
Tor 2 Street Scene (Kier PCG)	C	19.07.2010	n/a	n/a	659	pass through
Tor 2 Asset Management (Kier PCG)	C	19.07.2010	n/a	n/a	632	pass through
Torbay Econ. Development Agency	C	01.07.2011	n/a	n/a	525	wholly owned subsidiary
The Childrens Society (Services) Ltd	C	01.01.2014	n/a	n/a	8	Low value
ISS Torbay Schools	C	01.08.2014	n/a	n/a	21	Low value

LEX Leisure (transfer of Velopark staff)	n/a	1.12.17	If deficit materialises, through LEX becoming insolvent, amount will be added to Council's existing deficit			
Libraries Unlimited (transfer of Libraries staff)	n/a	01.04.18	Any liability arising through Libraries Unlimited becoming insolvent, the amount will be added to the Council's existing fund deficit. In addition, any liability at the end of the contract will also be added to the Council's fund deficit			
CSW Group (Cornwall Local Government Pension Scheme)	n/a	2008	Torbay Council's liability limited to 8.1% based on population			

**A= Bond is required as part of the organisation's admission agreement

C= A bond is not in place and either the letting authority or a guarantor has responsibility for any residual deficit

***The summary shows the 2017 Assessed Risk Value as supplied by the Devon Local Government Pension Scheme

Subsidiary Companies (wholly owned by Torbay Council) - see Statement of Accounts 2018/19

<https://www.torbay.gov.uk/media/12919/soa-1819.docx>



Title: **Housing Benefit Subsidy Certification - Financial Year 2017/18**

Wards Affected: **All Wards**

To: **Audit Committee** On: **25 September 2019**

Contact Officer: Tara Harris

☎ Telephone: 01803 208074

✉ E.mail: Tara.Harris@torbay.gov.uk

1. Key points and Summary

- 1.1 Housing Benefit is a means-tested benefit that helps households on low incomes pay rent. The Department for Work and Pensions (DWP) is responsible for setting the primary legislation governing Housing Benefit, which covers policy and entitlement rules.
- 1.2 In turn local authorities have a statutory duty to undertake the day-to-day administration and payment of Housing Benefit. The administration costs and payments are then reclaimed as “subsidy” from DWP.
- 1.3 The amount of subsidy to be reclaimed by the authority is submitted to DWP during the April following the previous financial year, which is then subject to certification by the reporting accountant.
- 1.4 The certification process aims to ensure that subsidy claims are fairly stated and provides assurance that the scheme is being administered correctly. It also encourages local authorities to improve accuracy and reduce official error.
- 1.5 The methodology and sample sizes are prescribed by DWP. Neither the authority nor reporting accountant (Grant Thornton) has discretion over how this methodology is applied.
- 1.6 The total subsidy claimed for Rent Allowance (private sector) and Rent Rebates (temporary accommodation) for 2017/18 was £60,452,407.
- 1.7 The certification process identified error with a number of earned income calculations detailed in this report and as a consequence the claim was financially qualified, resulting in a potential loss in subsidy to the Local Authority of £475,282.
- 1.8 As a result of engagement with DWP and further testing by the auditors, the Reporting Accountant indicated on 30 August 2019, that full subsidy will be granted and that £475,282 will be reimbursed to the authority.
- 1.9 As a result of identification the error a Peer Review has been undertaken in conjunction with the LGA and a number of working practices reviewed to provide reassurance.

2. Background and Current Position

- 2.1 The reporting accountant is required to perform the specific test requirements in accordance with the scope of work set out in DWP's Housing Benefit Assurance Process (HBAP) reporting framework.
- 2.2 This consists of checking twenty Rent Allowance (private sector and social landlord housing cases) and twenty Rent Rebates (temporary accommodation cases). On completion of these tests the reporting accountant report their findings.
- 2.3 Initial testing of the 2017/18 subsidy claim identified three errors, two concerning rent charges for temporary accommodation and one connected to the calculation of earned. This resulted in further testing, where forty similar cases were checked for assurance purposes.
- 2.4 The additional testing resulted in eight further earned income errors. The majority of these errors had either no effect on subsidy or were of low value. However, there was one case that was overstated by £4,634.05, which had a significant impact on the overall claim.
- 2.5 The claim was subsequently adjusted, based on a set formula where error percentage rates are calculated and extrapolated for each amount that's relevant – see Appendix One which shows how this amount was calculated.
- 2.6 In this case the cell adjustment totaled £475,282 resulting in the Secretary of State decided to recover this from the submitted claim.
- 2.7 Following confirmation that DWP intended to recover the adjustment, representations were made to request a "Further Work engagement", as the error was considered to be an isolated case.
- 2.8 Further Work engagements are treated as a "one-off" agreement, where additional tests are undertaken, based on the same criteria that led to the isolated error. Following agreement, a random sample of forty cases was selected from a larger population by the Reporting Accountant.
- 2.9 Experienced staff from the Revenue and Benefits service tested the sample and the results were provided in the prescribed manner.
- 2.10 After discussing the findings with the Reporting Accountant it was agreed that all cases were correct and that the relevant indicators had been set to ensure follow-up action would be taken.
- 2.11 The Reporting Accountant re-performed 10% of the sample for assurance purposes and subsequently confirmed that no errors were identified.
- 2.12 Based on the agreement with DWP, as no further errors were identified then the case in error will be treated as isolated and the £4,634.05 overpayment originally identified removed from the extrapolation.
- 2.13 A report was issued by the Reporting Accountant on 30 August 2019, confirming their findings as well as a revised extrapolation – see Appendix Two. This indicates that full subsidy will be granted and that £475,282 will be reimbursed to the authority.
- 2.14 Following a conversation with DWP it was confirmed that they are satisfied with the report will not be recovering any substantial sums from the authority. It is expected that written confirmation to this effect will be provided shortly.

3. Reasons for Housing Benefit Subsidy Loss

- 3.1 If subsidy is overpaid to an authority, or there is some breach of subsidy rules, the Secretary of State has the discretion to recover appropriate amounts.
- 3.2 The two main reasons why authorities don't receive full subsidy for the Housing Benefit they have paid are:
- Identified Overpayments, arising from both local authority and (predominantly) claimant error overpayments.
 - Qualification of subsidy claim, resulting in an extrapolated overpayment figure based on sample cases checked by the reporting accountant.
- 3.3 There are a number of ways in which the loss can be minimised. All these are interlinked and inter-dependent. These include:
1. Encouraging the customer to inform us promptly of changes in circumstances
 2. Processing changes in circumstances promptly, to avoid overpayments.
 3. Reducing human error in Housing Benefit assessments.
 4. Minimising Local Authority Overpayment Error.
 5. Ensure that every penny of subsidy the authority is entitled to claim, is claimed.
 6. Ensure efficient overpayment recovery processes are in place.

4. Preventative Measures

4.1 Peer Review

A peer review by an external expert from South Somerset Council and the Local Government Association, took place on 10th July 2019. This was arranged to assess current practices and provide reassurance to if this was an isolated incident or presented a future financial risk to the Local Authority.

After interviewing key staff and reviewing practices it was established that we have;

- A knowledgeable and committed team
- That correct processes and robust reporting practices are in place to reduce or identify errors.
- That our model of delivery was seen as innovative and by having multi skilled staff provided a level of resilience.
- No significant issues with performance, although recognised that staff were stretched and that there was a challenge between accuracy and speed of processing, based on the level of resource.
- That correct monitoring is in place to support the service and is robust.

The following areas have also been subsequently reviewed in light of the error being identified.

- (a) **Procedures** - When updating procedures the changes are discussed at team meetings and guidance reiterated in team briefing notes.
- (b) **Training** - Where error has been identified and a trend is developing, refresher training will be undertaken.
- (c) **Quality Checking** - A number of additional checks have been introduced that focusses on specific error, new claim processing, change of circumstances and cancelling benefit.

- (d) **Staff** - Accuracy will be at the forefront of one to one meetings, identifying processes that require attention and improvement if required.
- (e) **Performance** - Ensure that accuracy is maintained and not sacrificed over speed. Increase awareness of accurate data entry and the financial impacts that keying errors can have on the authority. Monitor caseload and react quickly to legislative changes that could introduce new areas of error.
- (f) **Housing Benefit Audit** - Internal audit to review areas of weakness identified by the annual Housing Benefit Audit.
- (g) **System Reports** - Additional system reporting to identify potential areas of risk for errors and quality checking exercises to review this new data.

Alison Whittaker
Head of Customer Services, Revenue & Benefits

Appendices

Appendix 1

Appendix 2

Documents available in members' rooms

Background Papers:

The following documents/files were used to compile this report:

Appendix One

Cell 094 (Rent Allowance) - initial calculation provided by Grant Thornton

Original cell total – sub population (earned income)	Sample Error	Sample Value	Percentage error rate	Cell adjustment
£11,430,723	-£5,586	£183,977	3.01%	-£344,065
(Cell 099 overstated) £11,430,723	-£11	£183,977	0.01%	-£1,143
(Cell 102 overstated) £11,430,723	-£192	£183,977	0.1%	-£11,431
(Cell 103 overstated) £11,430,723	-£5,072	£183,977	2.7%	-£308,630
(Cell 114 overstated) £11,430,723	-£311	£183,977	0.2%	-£22,861
Adjustment				£344,065

From the above, cell adjustments 103 and 114 are added and cell 099 is deducted, resulting in **£330,348**.

Cell 011 (Rent Rebate) - confirmed calculation provided by Grant Thornton

Original cell total – sub population (incorrect rental amount)	Sample Error	Sample Value	Percentage error rate	Cell adjustment
£460,399	-£800	£57,556	1.4%	-£6,400
(Cell 012 overstated) £460,399	-£472	£57,556	0.8%	-£3,775
(Cell 013 overstated) £460,399	-£249	£57,556	0.4%	-£1,994
(Cell 014 overstated) £460,399	-£79	£57,556	0.1%	-£631
Adjustment				£6,400

From the above, cell adjustments 012 and 014 are added, resulting in **£4,406**.

Adjustments (£330,348+£4,406)	£334,754
LA error subsidy	<u>£140,528</u>
Total	<u>£475,282</u>

Subsidy Calculation

LA Error Upper Threshold	£320,274
LA Error Lower Threshold	<u>£284,688</u>
Total	<u>£475,282</u>

Total exceeds LA Error Upper Threshold - £475,282 is treated as recovered subsidy.

Appendix Two

Cell 094 (Rent Allowance) - provisional calculation provided by Grant Thornton

Original cell total – sub population (earned income)	Sample Error	Sample Value	Percentage error rate	Cell adjustment
(Initial Sample – 20 cases) £11,430,723	£0	£27,500	0.0%	
(Additional Sample – 40 cases) £11,430,723	-£952	£156,477	0.6%	
(Combined Sample – 60 cases) £11,430,723	-£952	£183,977	0.5%	-£57,154
(Cell 099 overstated) £11,430,723	-£11	£183,977	0.01%	-£1,143
(Cell 102 overstated) £11,430,723	-£192	£183,977	0.1%	-£11,431
(Cell 103 overstated) £11,430,723	-£438	£183,977	0.2%	-£22,861
(Cell 114 overstated) £11,430,723	-£311	£183,977	0.2%	-£22,861
Adjustment Cell 113 is understated				£58,296

Provisional calculation - cell 113 is understated by **£58,296**.

Cell 011 (Rent Rebate) - unchanged

Original cell total – sub population (incorrect rental amount)	Sample Error	Sample Value	Percentage error rate	Cell adjustment
£460,399	-£800	£57,556	1.4%	-£6,400
(Cell 012 overstated) £460,399	-£472	£57,556	0.8%	-£3,775
(Cell 013 overstated) £460,399	-£249	£57,556	0.4%	-£1,994
(Cell 014 overstated) £460,399	-£79	£57,556	0.1%	-£631
Adjustment				£6,400

From the above, cell adjustments 012 and 014 are added, resulting in **£4,406**.

Adjustments (£58,296+£4,406)	£62,702
LA error subsidy	<u>£140,528</u>
Total	<u>£203,230</u>

Revised Subsidy Calculation (subject to approval by DWP)

LA Error Upper Threshold	£320,274
LA Error Lower Threshold	£284,688

Total is below both LA Error Upper and Lower Thresholds, as a result full subsidy is due.

Performance and Risk Report

Quarter 1 2019/20



Page 26

This is an interim report based on the priorities within the Cabinet's Work Programme. The performance indicators and risks from the 2018/2019 Performance and Risk Report have been mapped against these priorities.

As the new Corporate Plan is developed, so too will the Performance and Risk Framework. That Framework will enable the Council's leadership to effectively measure its performance against its priorities and to manage the risks that it faces.

Agenda Item 10

Work Programme Priority 1: Thriving People and Communities

Ensuring that all activities of the Council are focused upon turning the tide on poverty, and that the Bay's children have high aspirations and the opportunity to reach their full potential. Where all of our residents are healthy, safe, resilient and self-sufficient and where they have access to good quality homes, which are affordable and meet their needs; they have access to quality jobs whilst living in a community which is vibrant and attractive.

Partnership Work Programme	Headline Action	Cabinet Portfolio	Achievement / Progress
Page 27	1.1	Develop a Council-wide action plan to turn the tide on poverty, deprivation and vulnerability	All Portfolios A briefing report on the work currently being undertaken across the Council to address issues of poverty, deprivation and vulnerability is scheduled to be considered by the Overview and Scrutiny Board in September 2019. At that stage, it is expected that the Board will determine the scope of a Turning the Tide on Poverty Task Force. Work will then be undertaken during the Autumn with a report back to Cabinet scheduled for December 2019.
	1.2	Review/refresh the Health and Wellbeing Strategy and develop an updated action plan	Adults and Public Health Children's Services The refresh of the Health and Wellbeing Strategy will be undertaken by the Health and Wellbeing Board in Autumn 2019. This will take account of the findings from the current NHS-led engagement, across Devon and more locally in Torbay and South Devon, on the emerging Five Year Plan.
	1.3	Review/refresh the Housing Strategy and develop an updated action plan	Economic Regeneration, Tourism and Housing A loan of £1 million to TDA has been approved to assist in establishing the Housing Company. The transfer of land at Torre Marine to TDA has also been agreed for the delivery of affordable housing, to which the Council would have 100% nomination rights. Cabinet has established a task-and-finish group to progress the development of the revised Housing Strategy. Work is also being undertaken by the Housing Officer Group to establish the evidence base for the Strategy. It is expected that the revised Housing Strategy will be agreed by Council in December 2019.
	1.4	Review/refresh the Children and Young People's Plan and develop an updated action plan to ensure that we are delivering better outcomes for our children and young people	Children's Services The current Children and Young People's Plan will be reviewed by the Cabinet and the Children's Services Strategic Partnership by November 2019. The existing Plan runs until 2023 and is not expected to need major amendment, although it is likely that the associate action plan will be update.
	1.5	Review the Council's approach to heritage assets and develop an action plan.	Economic Regeneration, Tourism and Housing Work is continuing in relation to Oldway Mansion and the Pavilion. It is planned that a Heritage Strategy will be prepared for consideration by Cabinet in November 2019.

1.6	Review, with partner agencies, crime and anti-social behaviour in Torbay and develop a multi-agency action plan, including supporting the use of restorative justice.	Corporate and Community Services	
1.7	Consider the delivery of adult social care and wellbeing to ensure that we get the best outcome for Torbay residents and good value for money.	Adult and Public Health	
1.8	Undertake Local Plan Review, to include how the connectivity infrastructure of Torbay can be improved.	Infrastructure, Environment and Culture Economic Regeneration, Tourism and Housing	The timetable for the Local Plan review will be considered by the Cabinet in November 2019.
1.9	Review our approach to unauthorised encampments	Corporate and Community Services	This issue is included within the Work Programme for the Overview and Scrutiny Board.
1.10	Review our approach to Public Space Protection Orders, to include our approach to dog fouling	Corporate and Community Services	This issue is included within the Work Programme for the Overview and Scrutiny Board.

Thriving People and Communities: Risks							
Score	Code	Title	Description	Probability Score	Impact Score	Notes	Risk Owner
Low (2)	AASR01	<u>Effective implementation of Homelessness Reduction Act</u>	Failure to effectively implement the Homelessness Reduction Act could impact on the council's ability to deliver on its statutory requirements as set out in the Act.	2 - Unlikely	1 - Insignificant	New legislation implemented and ability to provide statutory returns. Risk now related to ability to increase level of prevention action activity.	Tara Harris
Medium (4)	AASR04	<u>Implementation of Food Standards Agency audit recommendations</u>	Failure to implement the recommendations of the audit.	2 - Unlikely	2 - Minor	Minor actions remain outstanding and tight performance measures remain in place.	Tara Harris
High (20)	PACR01	<u>Increased demand for Children's Services</u>	The number of children looked after by the Local Authority continues to increase placing pressure on the service and budget. Increased demand could impact upon the council's ability to meet statutory timescales for the completion of assessments and meetings such as child protection case conferences.	5 - Almost certain	4 - Major	There continues to be high numbers of children in care but it has stabilised for the recent period to around 355 - 360. The indications are that due to high levels of work within legal proceedings, this pressure will continue. The high levels of children in care historically combined with continued growth, lack of sufficiency in low cost placements and continued referrals within the system of complex child protection resulting from long term neglect and system failure, will impact on the budget increases further.	Anne Osborne
Medium to High (12)	PACR02	<u>Failure to deliver the Children's Services post OfSTED Improvement Plan</u>	Inspection judgement that Children's Services and the TSCB are inadequate. Hampshire continue as the improvement partner. Rate of improvement means the council is at risk of not providing the services of the quality at which our clients should expect from us and there is a risk that we fail to appropriately safeguard children.	3 - Possible	4 - Major	High levels of activity is supported by the Transformation Team but the continued increase in case work complexity and vacancies, has meant that achieving the required improvements in practice remains slow.	Anne Osborne

Thriving People and Communities: Risks							
Medium (6)	PACR04	<u>Relocation of the Medical Tuition Service (MTS)</u>	The MTS is currently provided from the Halswell House site which is a Grade 2 listed building. It would not meet the standards required to achieve Ofsted registration, primarily due to poor access. Ofsted are aware of the situation and have not taken enforcement action on the understanding that the Council is working towards a solution. If the Council are not able to find an alternative solution, it could face enforcement action from Ofsted	3 - Possible	2 - Minor	The Medical Tuition service will move to new premises at Parkfield on the 1st September 2019. The building is in line with the statutory requirements of the service. An independent company (arms length from the council) is being established to register the school as an Independent School. The registration process will start in September 2019 with a planned full registration complete by April 2020.	Rachael Williams
High (16)	TPCR01	<u>Local Area SEND Inspection</u>	The Local Area SEND inspection conducted by Ofsted and the CQC will take place before July 2020. The local area preparations and self-evaluation currently demonstrates an inability to be compliant with the legislative code, due to the capacity within the system. It is anticipated that the Local Area would receive a statement of action following an inspection and a subsequent monitoring regime.	4 - Likely	4 - Major	SLT have committed additional resources into the education base budget (subject to Council approval). This will support the compliance within the SEND team on the key legislation we deliver on behalf of the area – i.e. issuing of plans, timeliness of plans, monitoring outcomes. The AD for Education has established a strategic SEND group, to hold partner agencies to account on the delivery of SEND. This is at an early stage and progress will be tracked.	Rachael Williams
Medium to High (12)	PACR05	<u>Extension of duties to support care leavers to age 25</u>	The Children and Social Work Act 2017 introduced a new duty on local authorities to provide Personal Advisor (PA) support to care leavers up to the age of 25, if they want this support. Previously this was until age 21 years, with support continuing if only if engaged in education, training or employment. The new duty came into effect on 1st April, 2018 and will gradually impact on the reviews on Care leavers to exercise their rights to continued support.	3 - Possible	4 - Major	The predicted increase in caseloads has occurred and is further compounded by the increased numbers of children in care who then will be moving to care leavers as qualifying young people.	Anne Osborne

Thriving People and Communities: Risks							
High (16)	PVAR01	<u>Future Negotiations of Adult Social Care Risk Share</u>	Failure to reach agreement would mean the council have to return ASC provision to the council with high spend and staffing bill.	4 - Likely	4 - Major		Jo Williams
Medium (9)	PVAR02	<u>Ability to deliver a diverse care market</u>	Failure to have a diverse care market means that clients may not receive the good quality services to meet their needs, especially those with learning disabilities / mental health issues.	3 - Possible	3 - Moderate		Jo Williams
Medium (6) Page 31	PVAR03	<u>National Green Paper to change ASC Policy</u>	The paper will set out plans for how government proposes to improve care and support for older people and tackle the challenge of an ageing population, this paper could impact on the services we have to provide.	3 - Possible	2 - Minor		Jo Williams
Medium (8)	PVAR04	<u>DoLS noncompliance and legal challenge</u>	Noncompliance to and any legal challenge in respect of Deprivation of Liberty Safeguards which could significantly impact on the Council's budget and services.	4 - Likely	2 - Minor		Jo Williams
Medium (6)	PVAR05	<u>Failure to provide coherent cross agency solution for clients with multiple and / or complex needs</u>	Clients with multiple complex needs should be receiving cross agency solutions which are coherent and meet their needs.	2 - Unlikely	3 - Moderate		Jo Williams

Thriving People and Communities: Risks							
Medium (9)	PVAR06	<u>Social Care demand pressures: Adults</u>	Increase in demand for services, potentially impacting on budget and service delivery	3 - Possible	3 - Moderate		Jo Williams
Medium (6)	PVAR07	<u>Housing First and Mental Health</u>	Ability to deliver strategic plan with cross agency agreement and sustainability to ensure vulnerable clients have access to services they need.	2 - Unlikely	3 - Moderate		Jo Williams
Medium (6)	PVAR08	<u>Failure to deliver Housing Company</u>	Ability to deliver Housing Company project in 2018/19.	2 - Unlikely	3 - Moderate	Council decision made in June 2019 to empower a housing company via TDA to deliver affordable housing.	Kevin Mowat

Thriving People and Communities: Performance Indicators

Code	Title	Polarity	Status	Prev Year End	Great Britain / Month Target	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Last period value
PTPI03	Out of Work Benefits Claimant Count	It's better to be low	Above Target	3.0%	2.8%	1.9%	1.9%	1.8%	1.8%	2.0%	2.4%	2.6%	2.9%	3.0%	3.1%	3.1%	3.0%	3.0%

Code	Title	Polarity	Status	Prev Year End	Great Britain Value												Last period value
PTPI05	Earnings by Residence (weekly full time)	It's better to be high	Well Below Target	£477.10	£571.10	2018											£472.40
PTPI06	Earnings by Workplace (weekly full time)	It's better to be high	Well Below Target	£467.10	£570.90	2018											£444.10

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Quarter 1 2019/20	Last period value
ASPI00a	Numbers on the housing waiting list by Band A	It's better to be low	Well Above Target	Band A 5	Band A 2	7	5	5	5	5
ASPI00b	Numbers on the housing waiting list by Band B	It's better to be low	Well Below Target	Band B 169	Band B 300	219	221	169	168	168
ASPI01	Average number sleeping rough (local data)	It's better to be low	Above Target	21	20	21	23	21	22	22

Code	Title	Polarity	Status	Prev Year End	Quarter Target	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Quarter 1 2019/20	Cumulative to date
ASPI02	Numbers in temporary accommodation	It's better to be low	Well Above Target	485	420	126	75	120	Temporarily not available due to new system	485 (Q4)
ASPI05	Domestic violence incidents	N/A	(monitoring only)	3,711	N/A	983	957	949	927	927

Code	Title	Polarity	Status	Prev Year End	England Value		Last period value
PHOF2.06HI	Excess weight in 4-5 and 10-11 year olds – 4-5 year olds (Per 100,000)	It's better to be low	N/A	24.3%	22.4%	2017/18	Value not published for data quality reasons
PHOF2.15HI	Successful completion of drug treatment – opiate users	It's better to be high	Well Above Target	8.4%	6.5%	2017	7.5%
PHOF2.13HI	Percentage of physically active adults	It's better to be high	Above Target	67.1%	66.3%	2017/18	70.7%
PHOF2.12HI	Excess weight in adults - Percentage of adults classified as overweight or obese	It's better to be low	On Target	62.0%	62.0%	2017/18	59.8%
PHOF2.00HI	Smoking status at the time of delivery	It's better to be low	Well Above Target	15.2%	10.8%	2017/18	14.5%
PHOF2.10.01	Admission episodes for alcohol-related conditions (persons; narrow definition)	It's better to be low	Well Above Target	841	632	2017/18	788

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Year to end of month
LI404	No. of permanent care home placements	It's better to be low	Above Target	605	600	625	625	619	629	633	627	615	615	605	602	619	631	631
SC-007b	Number of out of area placement reviews overdue by more than 3 months (snap shot)	It's better to be low	Above Target	3	0	1	1	1	3	1	1	4	3	3	2	1	1	1
ASC 2C p2	Delayed transfers of care from hospital. Part 2 - attributable to social care	It's better to be low	No Target Set	2.6	N/A	2.8	2.4	2.2	2.1	2.1	2.1	2.6	2.7	2.6	4.7	3.7	N/A	3.7 (Reported 1 month in arrears)
SC-008 (LI-451)	% of social care service users receiving 5 hours or less of dom care per week only	It's better to be low	On Target	10.1%	10.0%	9.7%	9.8%	9.9%	9.9%	9.9%	9.8%	10.2%	10.2%	10.1%	9.7%	10.3%	10.2%	10.2%
Page 35	Carers receiving needs assessment or review & a specific carer's service, or advice & information (LAA)	It's better to be high	Well Above Target	29%	9%	7%	10%	13%	16%	20%	22%	24%	26%	29%	4%	8%	13%	13%
	Number of Safeguarding referrals	N/A	No Target Set	205	N/A	89	111	121	132	151	162	182	195	205	10	23	38	38
TCT14b	Safeguarding Adults - % repeat SG referrals in last 12 months	It's better to be low	On Target	8.3%	8.0%	9.7%	7.9%	6.8%	6.7%	7.4%	8.0%	7.8%	7.8%	8.3%	8.1%	7.6%	7.9%	7.9%
ASC 1E	Proportion of adults with a learning disability in paid employment	It's better to be high	Well Above Target	6.8%	7.0%	1.0%	1.2%	2.8%	3.0%	3.7%	3.7%	4.4%	6.6%	6.8%	7.1%	7.8%	8.1%	8.1%
ASC 1H	Proportion of adults in contact with secondary mental health services who live independently, with or without support (commissioned outside ICO)	It's better to be high	Well Below Target	50.0%	60.0%	54.2%	51.4%	48.1%	46.5%	53.2%	55.2%	59.3%	54.0%	50.0%	59.4%	59.0%	51.4%	51.4%
SC-011	Number of people discharged from hospital into permanent residential care (social care funded)	It's better to be low	No Target Set	8	N/A	3	4	5	5	6	6	7	7	8	0	0	0	0

(Children's PI data is derived from a live database that is continually updated. Previously reported numbers are subject to change)

Code	Title	Polarity	Status	Average Monthly for 17/18 Year	Anticipated Performance Level	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Last period value
	Number of Children's Social Care Referrals	In line with benchmarks	Just below expected levels	126	160	203	136	136	112	201	135	131	90	126	150	151	141	141
	Number of Children Looked After	In line with benchmarks	Well above expected levels	359	250	358	354	350	348	353	356	349	356	359	357	351	351	351
Page 36	Number of Early help referrals received in month	In line with our service expectations	Below expected levels	106	80	42	77	47	64	67	45	71	58	106	71	67	57	57
	Number of CP plans at month end by Category	In line with benchmarks	Above benchmarks	183	163	165	170	168	146	148	172	170	186	183	169	188	202	202
	% of children with an Initial Child Protection Conference held within 15 days from strategy meetings	Its better to be high	Below expected levels	74.0%	100%	73%	50%	55%	59%	100%	70%	74%	71%	74%	69%	41%	61%	61.0%
	Timeliness of Single Assessments - completed in month	Its better to be high	Improved and has reached expected levels	74.2%	82.0%	56.0%	68.4%	71.6%	66.9%	64.8%	68.6%	78.2%	72.3%	74.2%	81.5%	90.1%	86.8%	86.8%

Code	Title	Polarity	Status	As at 2018/19 Year End	Anticipated Performance Level	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Last period value
	% CLA cases reviewed within timescales during the month	Its better to be high	Below expected levels	93.2%	100%	90.8%	93.5%	93.0%	94.5%	94.8%	95.1%	93.9%	92.9%	93.2%	93.6%	93.6%	95.9%	95.9%
	Children on CIN plans visited within 30 working days	Its better to be high	Below expected levels	71.1%	90%	79.5%	77.2%	75.9%	80.8%	83.3%	80.6%	79.4%	78.1%	71.1%	82.6%	80.3%	80.8%	80.8%
	Timeliness of adoptions (Average nos of days between entering care and moving in with adopted family)	Its better to be low	Better than targets	386	418	347	441	441	417	417	409	409	409	386	402	401	385	385
Code	Title	Polarity	Status	As at 2018/19 Year End	Quarter Target	Quarter 2 2018/19			Quarter 3 2018/19			Quarter 4 2018/19			Quarter 1 2019/20			Last period value
	Social Work Staffing levels – vacancies	Its better to be low	Above expected levels	30.2%	18%	21.7%			28.4%			30.2%			34.6%			34.6%

Work Programme Priority 2: A Thriving Economy

We will work to ensure a more diverse and sustainable local economy so as to deliver the long term future prosperity and improved quality of life for all our residents.

	Headline Action	Cabinet Portfolio	Achievement / Progress
	2.1 Define the vision for Torbay as a 'place' for the next 20 years	All Portfolios	As the new Corporate Plan is developed, and following the Community Conference, work will continue with the Cabinet to ensure that there is clarity around Torbay "the place".
	2.2 Refresh, with partners, the Economic Strategy and associated strategies (including the Town Centre Regeneration Strategy and the Tourism Strategy)	Economic Regeneration, Tourism and Housing	A briefing on the current Economic Strategy is scheduled to take place with members of the Cabinet in September 2019. At that stage, consideration will be given to whether any changes to the Strategy and its associated documents need to be made,
Page 23 88	2.3 Develop and implement plans for key sites across Torbay	Economic Regeneration, Tourism and Housing	The Assistant Director – Planning and Transport will continue to work with developers on the stalled sites across Torbay.
	2.4 Consider the options to implement a £100m investment programme into boosting good quality jobs in Torbay.	Economic Regeneration, Tourism and Housing	The Council established the Torbay Economic Growth Fund in July 2019. This includes up to £100 million which will be used to progress a range of capital projects for economic growth and regeneration within Torbay. TDA is currently preparing the criteria against which the Fund will be allocated and this will be considered by the Cabinet in the coming months. TDA has also been instructed to prepare acquisition and development reports for projects within the Borough of Torbay which will accelerate the Council's ambition of a thriving economy.

A Thriving Economy: Risks							
Score	Code	Title	Description	Probability Score	Impact Score	Notes	Risk Owner
Medium (9)	AASR05	<u>Failure to successfully manage and deliver large scale events</u>	Failure to successfully manage and deliver of large scale events such as the air-show could impact on the area's economy and its tourism offer.	3 - Possible	3 - Moderate	Council agreed to fund £25,000 towards 2020 Air Show. Additional sponsorship secured from the ERBID.	Kevin Mowat
Medium (6)	AASR06	<u>Oldway Enforcement Notice from Historic England</u>	Appropriate funding bodies are required to assist with the conservation deficit at Oldway	2 - Unlikely	3 - Moderate		Kevin Mowat
High (20)	PTR01	<u>Ability to meet land supply requirements</u>	If we do not have a five year land supply then the National Planning Policy Framework cannot be considered up to date. Ability to meet land supply requirements could impact income generation from new homes bonus and S106 monies. Failure to have 5 year land supply risks development outside of the local plan.	5 - Almost certain	4 - Major	The latest five year supply position statement shows a range between 3.8 and 4.2 years supply. This reflects the updated position of Government contained within the latest National Planning Policy Framework. There are also new tests for delivery which, in Torbay, will require an action plan. Local Plan review must focus on addressing supply needs as well as other key aspects of the growth identified in the Local Plan currently. The evidence base work will commence in 2019 and the Local Plan review must be completed by December 2020.	Andrew England
Medium (8)	PTR03	<u>Failing to deliver significant regeneration schemes</u>	Failing to deliver significant regeneration schemes	2 - Unlikely	4 - Major	Harbour View hotel progressing. Harbour Light restaurant planning approved. Torwood Street hotel progressing.	Kevin Mowat
Medium (8)	PTR04	<u>Failure to deliver the economic strategy</u>	Failure to deliver the economic strategy	2 - Unlikely	4 - Major	EPIC due to be handed over to the Council on 1st August. Lease discussions with TDA well advanced.	Kevin Mowat

A Thriving Economy: Performance Indicators										
Code	Title	Polarity	Status	Prev Year End	Quarter Target	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Quarter 1 2019/20	Last period value
PTPI02	Gross rateable value of Business Rates (NDR)	It's better to be high	On Target	£93,623,630	£94,193,519	£93,444,510	£93,720,595	£93,623,630	£93,754,980	£93,754,980
ASPI08	Number of Events by Torbay Council or on Council Land	N/A	(monitoring only)	3	N/A	62	15	3	52	52

Work Programme Priority 3: A Climate fit for the Future

We will strive to improve the natural environment, including flood protection. We will work to reduce consumption and increase recycling and will promote low carbon energy. We will work to improve poor air quality, reduce noise and emissions.

	Headline Action	Cabinet Portfolio	Achievement / Progress
3.1	Review the Council's approach to protecting the natural environment	All Portfolios	The Overview and Scrutiny Board has issued a Call for Evidence to the community in relation to the Climate Change Emergency. Work will continue with the community in September and October to identify issues which the Council could tackle alongside the community. The Board will confirm, at its meeting in November 2019, its recommendations in relation to tackling climate change. These will then be considered by the Cabinet in the first half of 2020 with a view to preparing a Torbay Council Climate Change Statement. This will provide signposts to the actions across a range of Council strategies which seek to tackle climate change and protect Torbay's natural environment.
3.2	Increase the recycling rate in Torbay	Infrastructure, Environment and Culture	
3.3	Review the Council's Procurement Strategy	Finance	

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A Climate Fit for the Future: Performance Indicators										
Code	Title	Polarity	Status	Prev Year End	Target	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Quarter 1 2019/20	Last period value
NI191	Residual household waste per household	It's better to be low	On Target	124	120kg	133	125	125	Reported 1 quarter in arrears	125
NI192	Percentage of household waste sent for reuse, recycling and composting (LAA)	It's better to be high	Well Below Target	41.17%	50.00%	42.44%	41.86%	41.17%	Reported 1 quarter in arrears	41.17%

Work Programme Priority 4: A Council Fit for the Future

We will work collectively to ensure the long-term stability of the Council and the services that it legally has to provide, and recognise that there will be difficult decisions to make. We will fundamentally change the way in which the Council communicates and engages with residents, we will be clear as to the services that the Council can provide and we will empower community capacity building. We will work to reduce the cost drivers of our high-cost services, deliver efficiencies and increase the Council's income where possible.

	Headline Action	Cabinet Portfolio	Achievement / Progress	
Page 42	4.1	Build a collaborative relationship between the council and community – designing, producing and delivering services together with them.	Corporate and Community Services	<p>The first Community Conference will be held on 11 September 2019 at MyPlace, Paignton. Clarity CIC will facilitate the event which will mark the start of a new relationship that the Council is seeking to build with its communities.</p> <p>A priority over the next six weeks will be to ensure that a wide range of attendees are encouraged to get involved in the Community Conference.</p> <p>Following the Conference work will continue to build new relationships with the aim of a further three Community Conversations taking place over the rest of the year.</p>
	4.2	Understand the implications of the Medium Term Resource Plan and develop proposals to mitigate the reduction in Government funding	Finance	<p>Community engagement is about to commence aimed at sharing with the community the challenges of the Council's financial position and the solutions that we have already put in place.</p> <p>The Chief Executive and Head of Finance met with the then Local Government Minister in May 2019 to put Torbay's case in relation to the proposed Local Government Funding Formula. Follow-up lobbying will now take place with Rishi Sunak MP in his new role as Chief Secretary to the Treasury and well as will the new Chancellor.</p>
	4.3	Complete the Community Governance Review	Corporate and Community Services	<p>The Council has agreed to move to the second stage of consultation on the Community Governance Review with formal consultation scheduled to start on 2 September 2019.</p> <p>Linked to the work on the Community Conference, work on the Community Governance Review is a priority with the Consultation and Communications Plan being developed and implemented by 9 August 2019.</p>
	4.4	Consider the Future Operating Model for the Council	Corporate and Community Services	<p>A Strategic Business Case for the future operating model of the Council is due to be presented to Informal Cabinet on 13 August 2019. Within this, it is proposed that the project is split into two tranches with Tranche 1 being: Community Engagement and Empowerment, Influence and Core Offer. All three of these elements are already in train. Tranche 2 of Transactional Hub, Business Process Re-engineering, and Digitalisation would follow.</p>

A Council Fit for the Future: Risks							
Score	Code	Title	Description	Probability Score	Impact Score	Notes	Risk Owner
Medium (8)	AASR03	<u>Resilience and review of BCP & Emergency Plan to reduce level of risk</u>	Without robust and tested emergency plans in place the Council may not be able to respond effectively to any sustained emergency situation.	2 - Unlikely	4 - Major	Work continues on BCP across the organisation. Training plan in place and being implemented to provide appropriate expertise and resilience. Additional work looking at agile working practices and IT systems supports the improved direction of travel.	Tara Harris
High (8)	PACR06	<u>Difficulties in social work recruitment to frontline safeguarding teams</u>	Recent difficulties in recruiting social work staff including team managers and also senior managers both on a permanent and agency basis. The situation in the last year has been compounded due to sickness often related to stress and performance issues. This has been addressed jointly by the teams and HR and support. Has been put in place when required.	4 - Likely	4 - Major	Following the January 2019 monitoring visit, difficulties in recruitment of even agency staff were experienced. Additional funding for senior roles to support improvement have also not been successful except for a children's joint commissioning role. Funding from the DfE for additional capacity of eight Social Workers was approved and they arrived on 29th April for a twelve month period. Despite this added capacity, it is important that the vacancies within the service are addressed and changes made to promote the environment in which practice can improve. As caseloads in SASFs continue to remain high further mitigating actions are being considered.	Anne Osborne
High (16)	PTR02	<u>Planning Service - Staff Levels</u>	Planning Service - Staff Levels	4 - Likely	4 - Major		Andrew England
Medium (5)	PVAR09	<u>Introduction of the Living Wage</u>	The fact that living wage will rise is certain but the impact on the council paybill and suppliers in particular the care providers is not. The impact could be minor, or a moderate increase on pay bill.	5 - Almost certain	1 - Insignificant		Jo Williams

A Council Fit for the Future: Risks							
			There could be a major impact if there is a large increase on the pay bill and care providers fold.				
Medium to High (15)	RECR01	<u>Failure of Transformation Board to deliver on Transformation Projects to support future budgets</u>	Delivery against income targets. The success of our Transformation programme will impact on the Council's budget.	3 - Possible	5 - Critical	The Transformation Board, as supported by the Transformation Team review delivery of all transformation projects, in order to ensure that they are progressing, or mitigating action is taken if sufficient progress is not being made.	Anne-Marie Bond
Medium to High (15)	RECR02	<u>Failure to comply with GDPR</u>	The General Data Protection Regulation (GDPR) tightens existing data protection requirements on organisations. The Council needs to be able to demonstrate compliance to the regulation in all of its processing activities. Failure to do so could result in enforcement action from ICO, damage to reputation and potential increase in complaints and claims.	5 - Almost certain	3 - Moderate	Compliance rate with subject access requests continues to be an issue with the majority being completed outside of statutory timescales. GDPR project team have agreed updated timetable to complete outstanding elements of information asset register and privacy notices. Info security policies need review and updates to be approved through info security group.	Matt Fairclough-Kay
High (20)	RECR03	<u>Council not achieving a balanced budget in the next three years</u>	The Council is required to provide a range of statutory services including those to vulnerable children and adults. It is essential that the council can continue to fund these services with the ongoing expected reductions in core funding. The council has a duty to set a balanced budget. Given the financial forecast of increased costs and demand for services with ongoing reductions in core funding, there will inevitably be	4 - Likely	5 - Critical	Risk higher due to current projection of higher placement costs in Children's Social Care and the ongoing impact. Ongoing uncertainty over 20/21 onwards funding allocations.	Martin Phillips

A Council Fit for the Future: Risks							
			requirements for reductions in service expenditure and/or increases in income levels.				
High (20)	RECR04	<u>Council exceeding in year budget</u>	The Council not achieving a balanced budget. Any overspend will have to be funded from either reserve levels, which is not sustainable in the long term, or reductions in the level of service provision throughout the council.	5 - Almost certain	4 - Major	Risk higher due to current projection of higher placement costs in Children's Social Care.	Martin Phillips
Medium to High (12)	RECR06	<u>Tor2 Contract</u>	Contract Management of TOR2 and reputational risk to the council	3 - Possible	4 - Major		Kevin Mowat
Medium to High (15)	RECR07	<u>Corporate Health and Safety</u>	Non-compliance to health and safety requirements across the local authority increases the risk to public and staff safety, this includes gaining appropriate certifications for some of our assets.	3 - Possible	4 - Major	Work continues and a clear programme of work is underdevelopment and being implemented to mitigate risk. Additional resource at an appropriate level have also been allocated along with consultancy support. Until such time that a proportion of the work has been completed, the risk remains high.	Tara Harris
Medium to High (12)	RECR08	<u>Capacity of legal services to deal with care proceedings before the court</u>	As the numbers of children looked after increases, as does the requirement for legal services to support care proceedings which will go before the court. This increase could lead to lack of capacity to deal with cases in a timely and effective manner.	3 - Possible	4 - Major	Workloads are kept under close review and if necessary cases can be dealt with by Agent Solicitors or Locum solicitors can be brought in - although there are cost implications of both of these options.	Anne-Marie Bond
Medium to High (12)	RECR10	<u>Effective Contracts Register</u>	Lack of an effective contracts register means that the council do not hold single source of	3 - Possible	4 - Major	There is a transformation project to improve the Contracts Register and the Council's contract management generally.	Anne-Marie Bond

A Council Fit for the Future: Risks							
			information regarding all contracts, which could lead ineffective performance management, failure to achieve best value and failure to implement any necessary legislative changes / updates.				
Medium (9)	RECR12	<u>Sustainability and resilience of IT infrastructure and staff levels</u>	Sustainability and resilience of IT Infrastructure and Staff to include Paris replacement and Agile working.	3 - Possible	3 - Moderate	A defined capex programme, supported by associated revenue budgets, is in place to enable IT to update infrastructure. The recruitment of staff to enable the timeline of this work is proving to be slow, with the quality of candidates being well below par. Further, to meet in-year savings targets the number of new posts has been reduced from 4 to 3. Staffing issues are exacerbated by the resignation of the Software Development Manager, one of two middle leaders in IT Services. Therefore, although funding has been identified, the ability to deliver the required upgrades in time is at risk and supporting the whole Council with fit of purpose IT remains a significant challenge.	Matt Fairclough-Kay
Medium to High (12)	RECR13	<u>Proportionality of borrowing and commercial risk</u>	The risk that council will be unable to meet its fixed borrowing liabilities if income streams associated with that borrowing are not maintained or fluctuate. The more the council borrows and the more it relies on that commercial income to support services, the greater the risk. The Ministry of Housing Communities and Local Government refers to this as "proportionality".	3 - Possible	4 - Major	Risk higher after Council borrowing decisions at its meeting July 2019.	Martin Phillips
High (20)	RECR15	<u>School High Needs Block spending Pressures</u>	The School Forum currently have a deficit budget position of circa £600,000 (17/18) and a projected overspend of £2.4m (18/19).	4 - Likely	5 - Critical	The School Forum have submitted a DSG recovery plan to the DFE. The recovery plan is not compliant and demonstrates an increasing pressure. The Section 151 officer has written an accompanying letter of concern and we have asked for a DFE colleague to visit us to talk about the funding situation and recovery plan.	Rachael Williams

A Council Fit for the Future: Performance Indicators

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Cumulative to date
RECPI01	Agency Staff Cost (excluding schools)	It's better to be low	Well Above Target	£3,841,454	£158,225	£462,949	£445,770	£272,665	£376,408	£286,438	£197,749	£297,842	£248,099	£481,298	£85,098	£244,740	£336,927	£666,765
Adults £0k, Children's £300.6k, Public Health £4.2k, Business Services £0.4k, Corporate Services £28.3k and Planning & Transport £3.4k																		

Code	Title	Polarity	Status	Prev Year End	Annual Target	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Last period value
RECPI02	Variance Against Revenue Budget (projected)	It's better to be low	Above Target	£0	£0	£2,850,000	£3,098,000	£2,369,000	£2,278,000	£2,990,000	£92,000	£550,000	£260,000	£0	£0	£0	£3,488,000	£3,488,000

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Quarter 1 2019/20	Last period value
RECPI05	Stage 1 complaints dealt with on time	It's better to be high	Well Below Target	54%	90%	45%	48%	40%	Not available	40% (Q4)

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Quarter 1 2019/20	Cumulative to Date
RECPI06	Number of stage 1 complaints logged	N/A	(monitoring only)	395	N/A	221	174	155	Not available	155 (Q4)
RECPI08	Number of stage 1 complaints logged per 1,000 population	N/A	(monitoring only)	3.0	N/A	1.7	1.3	1.2	Not available	1.2 (Q4)

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Our ref: Torbay Council fee letter 2019-20
Your ref: --

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18 April 2019

Dear Martin

Planned audit fee for 2019/20

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and had the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities also include setting fees and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

All grant work, including housing benefit certification, falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2019/20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained at the same level as in 2018/19, unless there were specific circumstances which required otherwise. Further details are set out on the [PSAA website](#). The Council's scale fee for 2019/20 has been set by PSAA at £78,581 which is the same as in 2018/19.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2019/20, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2019/20. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors.

Audits of the accounts for 2019/20 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its latest guidance for auditors on value for money work in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

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

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2019	19,646
December 2019	19,645
March 2020	19,645
June 2020	19,645
Total	78,581

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2019 to March 2020. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in June-July 2020 and work on the whole of government accounts return in July 2020.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	Nov 2019 – March 2020	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.

Final accounts audit	Jun – July 2020	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan 2020 – July 2020	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2020	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	Aug 2020	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Our team

The key members of the audit team for 2019/20 are:

	Name	Phone Number	E-mail
Engagement Lead	Barrie Morris	0117 305 7708	barrie.morris@uk.gt.com
Engagement Manager	Mark Bartlett	0117 305 7896	mark.bartlett@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed, and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact Jon Roberts, our Public Sector Assurance regional lead partner, via jon.roberts@uk.gt.com.

Yours sincerely



Barrie Morris
Engagement Lead
Grant Thornton UK LLP



Meeting: Audit Committee

Date: 25 September 2019

Wards Affected: All

Report Title: Overview of Investigations

Is the decision a key decision? No

When does the decision need to be implemented? n/a

Supporting Officer Contact Details: Anne-Marie Bond, Director of Corporate Services and Operations, 01803 207160, anne-marie.bond@torbay.gov.uk

1. Introduction

- 1.1.1 Following previous debate within Audit Committee, it was agreed that a high level overview will be given to Audit Committee of any alleged fraud by staff or alleged financial irregularities.
- 1.2 Exempt Appendix 1, sets out such an overview.

2. Reason for Proposal

- 2.1 To provide a greater level of detail to Audit Committee.

3. Recommendation (s) / Proposed Decision

- 3.1 That Audit Committee note the contents of Exempt Appendix 1, and give consideration to any further information or action that they require.

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