

# CABINET AGENDA



**TUESDAY 12 DECEMBER 2017 AT 7.30 PM  
CONFERENCE ROOM 2 - THE FORUM**

The Councillors listed below are requested to attend the above meeting, on the day and at the time and place stated, to consider the business set out in this agenda.

#### Membership

Councillor Williams (Leader)  
Councillor Griffiths (Deputy Leader)  
Councillor Elliot

Councillor Harden  
Councillor Marshall  
Councillor G Sutton

For further information, please contact Member Support or [cassie.oneil@dacorum.gov.uk](mailto:cassie.oneil@dacorum.gov.uk)

## AGENDA

### 1. MINUTES

To confirm the minutes of the meeting held on 28 November 2017 (Minutes to follow).

### 2. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

### 3. DECLARATIONS OF INTEREST

To receive any declarations of interest

A member with a disclosable pecuniary interest or a personal interest in a matter who attends a meeting of the authority at which the matter is considered -

- (i) must disclose the interest at the start of the meeting or when the interest becomes apparent

and, if the interest is a disclosable pecuniary interest, or a personal interest which is also prejudicial

- (ii) may not participate in any discussion or vote on the matter (and must withdraw to the public seating area) unless they have been granted a dispensation.

A member who discloses at a meeting a disclosable pecuniary interest which is not registered in the Members' Register of Interests, or is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days of the disclosure.

Disclosable pecuniary interests, personal and prejudicial interests are defined in Part 2 of the Code of Conduct for Members

[If a member is in any doubt as to whether they have an interest which should be declared they should seek the advice of the Monitoring Officer before the start of the meeting]

#### **4. PUBLIC PARTICIPATION**

An opportunity for members of the public to make statements and ask questions in accordance with the rules as to Public Participation.

#### **5. REFERRALS TO CABINET**

There were no referrals to Cabinet

#### **6. CABINET FORWARD PLAN (Pages 3 - 4)**

#### **7. STRATEGIC RISK REGISTER - Q2 (Pages 5 - 22)**

#### **8. AWARD OF LEISURE CONTRACT (Pages 23 - 58)**

#### **9. COUNCIL TAX BASE 2018/19**

Report to Follow.

#### **10. TREASURY MANAGEMENT MID-YEAR REVIEW (Pages 59 - 68)**

#### **11. EXCLUSION OF THE PUBLIC**

To consider passing a resolution in the following terms:

**That, under s.100A (4) of the Local Government Act 1972 Schedule 12A Part 1 as amended by the Local Government (Access to Information) (Variation) Order 2006 the public be excluded during the items in Part 2 of the Agenda for this meeting, because it is likely, in view of the nature of the business to be transacted, that, if members of the public were present during those items, there would be disclosure to them of exempt information relating to the financial and business affairs of the Council and third party companies/organisations.**

**Local Government Act 1972, Schedule 12A, Part 1, paragraph 3.**

## CABINET FORWARD PLAN

	DATE	MATTERS FOR CONSIDERATION	Decision Making Process	Reports to Monitoring Officer/S.15 1 Officer	CONTACT DETAILS	BACKGROUND INFORMATION
1.	12/12/17	Award of Leisure Contract (Part 1&2)		23/11/17	Robert Smyth, Assistant Director Performance & Projects, 01442 228979 <a href="mailto:robert.smyth@dacorum.gov.uk">robert.smyth@dacorum.gov.uk</a>	To be provided
2.	12/12/17	Council Tax Base 2018/19		23/11/17	David Skinner, Assistant Director Finance and Resources 01442 228662 <a href="mailto:David.skinner@dacorum.gov.uk">David.skinner@dacorum.gov.uk</a>	To set the Council Tax Base for 2018/19
3.	12/12/17	Management of Tring Swimming Pool		23/11/2017	Robert Smyth, Assistant Director Performance & Projects, 01442 228979 <a href="mailto:robert.smyth@dacorum.gov.uk">robert.smyth@dacorum.gov.uk</a>	A review of operating responsibility in the delivery of leisure services at Tring School
4.	12/12/17	Treasury Management Mid-Year Review		23/11/2017	David Skinner, Assistant Director Finance and Resources 01442 228662 <a href="mailto:David.skinner@dacorum.gov.uk">David.skinner@dacorum.gov.uk</a>	
5.	30/01/18	Hemel Hempstead Town Centre Parking Access and Movement Strategy		11/01/18	James Doe, Assistant Director Planning, Development & Regeneration 01442 228583 <a href="mailto:James.doe@dacorum.gov.uk">James.doe@dacorum.gov.uk</a> Chris Taylor, Group Manager Strategic Planning & Regeneration 01442 228405 <a href="mailto:chris.taylor@dacorum.gov.uk">chris.taylor@dacorum.gov.uk</a> Nathalie Bateman, Strategic Planning & Regeneration Team Leader 01442 228592 <a href="mailto:nathalie.bateman@dacorum.gov.uk">nathalie.bateman@dacorum.gov.uk</a>	To consider arrangements for taking forward the next stages of the parking access and movement strategy for Hemel Hempstead Town Centre
6.	30/01/18	Apprenticeship Levy		11/01/18	Anne Stunell, Human Resources Team Leader 01442 228089 <a href="mailto:anne.stunell@dacorum.gov.uk">anne.stunell@dacorum.gov.uk</a>	To be provided.
7.	30/01/18	Authority Management Report		11/01/18	James Doe, Assistant Director Planning, Development & Regeneration 01442 228583 <a href="mailto:James.doe@dacorum.gov.uk">James.doe@dacorum.gov.uk</a>	To consider the annual report on development trends in Dacorum and the use of the adopted Development Plan for the Borough.
8.	30/01/18	Update of Discretionary Rate Relief Policy		11/01/18	James Deane, Corporate Director Finance and Operations 01442 228278 <a href="mailto:James.deane@dacorum.gov.uk">James.deane@dacorum.gov.uk</a> Chris Baker, Group Manager – (Revenues, Benefits and Fraud) <a href="mailto:Chris.baker@dacorum.gov.uk">Chris.baker@dacorum.gov.uk</a>	To consider adjustments to the existing discretionary rate relief policy
9.	30/01/18	Committee Timetable 2018/19		11/01/18	Mark Brookes, Solicitor to the Council 01442 228236 <a href="mailto:mark.brookes@dacorum.gov.uk">mark.brookes@dacorum.gov.uk</a>	To agree the committee timetable for 2018/19
10.	13/02/18	Review of HRA Business Plan		25/01/18	Elliott Brooks, Assistant Director Housing 01442 228615 <a href="mailto:elliott.brooks@dacorum.gov.uk">elliott.brooks@dacorum.gov.uk</a>	To be provided.
11.	13/02/18	Budget Report		25/01/18	James Deane, Corporate Director Finance and Operations 01442 228278 <a href="mailto:James.deane@dacorum.gov.uk">James.deane@dacorum.gov.uk</a>	To be provided.
12.	13/02/18	Public Space Protection Orders		25/01/18	Mark Brookes, Solicitor to the Council 01442 228236 <a href="mailto:mark.brookes@dacorum.gov.uk">mark.brookes@dacorum.gov.uk</a>	For the Council to consider the introduction of a PSPO for the town centre.

	DATE	MATTERS FOR CONSIDERATION	Decision Making Process	Reports to Monitoring Officer/S.15 1 Officer	CONTACT DETAILS	BACKGROUND INFORMATION
13.	27/03/18	Two Waters Master Plan		08/03/18	James Doe, Assistant Director Planning, Development & Regeneration 01442 228583 <a href="mailto:James.doe@dacorum.gov.uk">James.doe@dacorum.gov.uk</a> Chris Taylor, Group Manager Strategic Planning & Regeneration 01442 228405 <a href="mailto:chris.taylor@dacorum.gov.uk">chris.taylor@dacorum.gov.uk</a> Nathalie Bateman, Strategic Planning & Regeneration Team Leader 01442 228592 <a href="mailto:nathalie.bateman@dacorum.gov.uk">nathalie.bateman@dacorum.gov.uk</a>	To consider responses on the draft Masterplan issued for public consultation and confirmation of the final masterplan to be approved by Council

**Future Cabinet Dates 2018:** 24 April, 22 May

**Future Items:**

Enterprise and Investment Plan



Report for:	Cabinet
Date of meeting:	12 December 2017
Part:	1
If Part II, reason:	

Title of report:	<b>Risk Management Report, Quarter 2, 2017/18</b>
Contact:	Councillor Graeme Elliot, Portfolio Holder Finance & Resources James Deane, Corporate Director (Finance & Operations) Linda Dargue, Lead Officer Insurance & Risk
Purpose of report:	To provide the Quarter 2 update on the Strategic Risk Register
Recommendations	That the content of this report is noted
Corporate Objectives:	Dacorum Delivers – Risk management is an essential part of ensuring that the Council meets all of its objectives
Implications:	<u>Financial</u>  <u>None Identified</u>
'Value For Money Implications'	<u>Value for Money</u> Risk management is closely linked to the Council's commitment to ensure that all resources are used efficiently and forms part of effective financial planning. The Council also needs to ensure that adequate provisions are in place to address anticipated risks but that these are no greater than necessary so that maximum resources are applied to services as required. To this end the Council sets minimum target working balances for both the general fund and HRA and at the date of this report this minimum balances are secured. Budget exercises for 2017/18 have ensured that the minimum balance requirements will also be met for the next financial year
Community Impact Assessment	Community Impact Assessment reviewed/carried out*  Not Applicable
Health And Safety	Not Applicable

Implications	
Monitoring Officer/S.151 Officer Comments	<p><b>Monitoring Officer:</b></p> <p>No comments to add to the report.</p> <p><b>Deputy S.151 Officer</b></p> <p>This is a S151 Officer report.</p>
Consultees:	<p>CMT</p> <p>Audit Committee 22 November 2017</p>
Background papers:	<p>Report to Audit Committee 22 November 2017</p>
Glossary of acronyms and any other abbreviations used in this report:	<p>SRR – Strategic Risk Register</p>

### **Background**

1. The revised Strategic Risk Register showing the position at the end of Q2 2017/18 is attached at Appendix A.

### **Audit Committee Scrutiny**

2. In line with the Council's approved Risk management Strategy, the 2017/18 Quarter 2 position for the Strategic Risk Register was considered by the Audit Committee at its meeting on 22 November 2017.
3. For this quarter the risk scores have remained unchanged, however the narrative has been reviewed and amended as appropriate to reflect the present position.
4. There was a discussion around the need for the Strategic Risk Register to be reviewed and updated, both in terms of the risks themselves and the control measures that are in place. It was agreed that Mazar's will be asked to facilitate a meeting with Portfolio Holder's and CMT in the New Year. The Minutes of the Audit Committee discussion will be available shortly on the Council's website.

<https://democracy.dacorum.gov.uk/ieListMeetings.aspx?CId=160&Year=0>

# STRATEGIC RISK REGISTER

September 2017



## C5 - The Council fails to comply with the regulatory framework within which it must operate.

<b>Category:</b> Legal & Regulatory	<b>Corporate Priority:</b> Dacorum Delivers	<b>Risk Owner:</b> James Deane	<b>Portfolio Holder:</b> Graeme Elliot	<b>Tolerance:</b> Treating	
<b>Inherent Probability</b>	<b>Inherent Impact</b>	<b>Inherent Risk Score</b>	<b>Residual Probability</b>	<b>Residual Impact</b>	<b>Residual Risk Score</b>
4 Very Likely	4 Severe	16 Red	3 Likely	2 Medium	6 Amber
<b>Consequences</b>		<b>Current Controls</b>		<b>Assurance</b>	
<p>As a public sector organisation, there a number of regulatory frameworks which govern the way in which the Council must operate both on a day-to-day basis and in the discharging of one-off duties or actions.</p> <p>Generally, compliance with these frameworks is considered an operational risk and is monitored and managed through a combination of the Operational Risk Register and Performance Indicators which are reported to the relevant Overview and Scrutiny Committees.</p> <p>However, there is a risk that in some circumstances failure to comply with regulations could result in a number of consequences for the Council that are sufficiently negative and high profile in nature to become, for a short time, strategic in nature.</p> <p>For example, failure to follow the correct protocols prescribed under the data protection legislation could result in the following consequences for the Council:</p>		<p>The Council has a number of strategies and policies in place which aim to provide clarity in the way Council Members and staff should operate.</p> <p>These documents are reviewed and updated periodically by Officers who are experts in the field and are frequently the subject of Internal Audit reviews in order to provide Members with independent, third-party assurance.</p> <p>These processes mitigate the likelihood of this risk crystallising and have resulted in my reducing the inherent risk score from '4', Very Likely, to '2', Unlikely.</p> <p>Data Protection policy &amp; procedures Health &amp; Safety policy &amp; procedures Risk Management framework Safeguarding policy &amp; procedures Financial Regulations Procurement Standing Orders Constitution</p>		<p>The Financial Regulations (Main Accounting) and Emergency Plan were audited by Mazars, the Council's Internal Auditors in 2014/15 and achieved a FULL level of assurance.</p> <p>The Risk Management framework and Procurement Standing Orders were audited in 2014/15 and achieved a SUBSTANTIAL level of assurance.</p> <p>Data Protection, Health and Safety, the Constitution (Corporate Governance) and the Financial Regulations (Main Accounting) are in the Internal Audit plan for review in 2015/16.</p>	

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1. Disclosure of personal information causing harm to a resident
2. High profile negative publicity regarding the way the Council operates
3. Significant financial penalty imposed by the Information Commissioner

This risk has been included on the Strategic Risk Register to ensure that there is scope to escalate an operational risk for Cabinet consideration and Audit Committee scrutiny should there be a period of intensified risk in a specific regulatory area.

Emergency Plan  
Human Resources terms & conditions

Sign Off and Comments

8  
Sign Off Complete



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## Housing

Following the recent fire at Grenfell House, Government requested all local authorities to provide details of cladding and fire safety in general on tower blocks of 6 stories and above. DBC has six blocks in this category, and all checks were carried out immediately. None of the six blocks were found to have cladding of the type which was used at Grenfell Tower.

Residents in these blocks were written to with reassurance of the findings.

In addition, one low rise new build block (Able House) was known to have ACM cladding. A decision was made in consultation with the Portfolio Holder for Housing & the Fire Service to remove the cladding and replace with render. These works are now completed.

Other Landlords in the borough, both Housing Associations and Private have been taking similar steps to ensure buildings are as safe as possible and subsequently to provide reassurance to residents.

The HSE review of the Council's management of the risks around Hand Arm Vibration continues. Members will be updated when more information becomes available.

## C6 - The Council does not attract and retain the skill sets within its workforce that will enable it to maximise opportunities for delivering its services more efficiently through increased partnership working.

<b>Category:</b> People/Employees	<b>Corporate Priority:</b> Dacorum Delivers	<b>Risk Owner:</b> Sally Marshall	<b>Portfolio Holder:</b> Neil Harden	<b>Tolerance:</b> Treating
<b>Inherent Probability</b> 4 Very Likely	<b>Inherent Impact</b> 4 Severe	<b>Inherent Risk Score</b> 16 Red	<b>Residual Probability</b> 2 Unlikely	<b>Residual Impact</b> 4 Severe
<b>Consequences</b>		<b>Current Controls</b>	<b>Assurance</b>	
• The quality of service delivery is likely to be adversely affected due to a lack of resources and/or skills to		- Leading in Dacorum continues to be delivered (all courses stated in risk register)	• The projected annual turnover rate (as calculated in Q1) is 8%. This compares positively to the wider	

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effectively deliver services through increased partnership working.

- There is likely to be a reduction in efficiency savings due to inability to create more effective partnerships.
- There is also likely to be a negative impact on any proposals for devolved powers.
- A failure to create more examples of effective partnership working will result in a higher likelihood of back office and front line services being reduced as the financial constraints on the Council's budget continue to tighten.

- People strategy has been implemented which will cover issues including graduate scheme, apprenticeship scheme, succession planning, reviewing T&Cs etc.  
- Continuation

business average of 15% and it is below the level within local government (12%).

- Opportunities for collaboration and shared services are being actively considered across Hertfordshire in relation to Legal, HR, Information Management, Insurance and Payroll Services.
- Recruitment for leadership posts is generally competitive with a good number of applications being received from suitably qualified candidates for vacant posts.

## Sign Off and Comments

Sign Off Complete

We have a well-established and effective approach to recruiting staff. This includes job adverts across a range of media, up-to-date recruitment policies and practices and be-spoke training for managers. However, we have recently reviewed our approach to recruitment and over the next few months we will be introducing a series of measures to improve how we attract and select candidates. We have also set out proposals to modernise our terms and conditions and these changes are due to be implemented from November.

### Development and Training:

A project to review our approach to training and development is underway which will ensure our corporate training fulfils the workforce needs and that the service training budgets are consistently split across the teams.

We are also continuing to provide a dedicated management training programme (Leading in Dacorum) that focuses on service planning, innovation, efficiencies and workforce planning, as well as a comprehensive mandatory training programme to ensure staff have the right skills to carry out their roles.

### C7 - Controls do not develop at a sufficient pace to keep track with the continually emerging data protection risks

<b>Category:</b>	<b>Corporate Priority:</b>	<b>Risk Owner:</b>	<b>Portfolio Holder:</b>	<b>Tolerance:</b>
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# STRATEGIC RISK REGISTER

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Corporate		Dacorum Delivers		Sally Marshall	Neil Harden	Treating
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score	
3 Likely	4 Severe	12 Red	2 Unlikely	3 High	6 Amber	
Consequences		Current Controls		Assurance		
<p>Cause of Risk - The Council is reliant on vast amounts of good quality data and information to determine sound decisions and plans, conduct operations and deliver services.</p> <p>It is also required by the Data Protection Act and Government's Public Sector Network (PSN) Code of Connection (CoCo) to maintain confidentiality, integrity, availability and appropriately authorised use of the data.</p> <p>With the Government's 'Open' agenda, increased flexible working patterns of staff, and increased partnership working and use of multiple information storage sources, controls on data management and security have become complex and important.</p> <p>Consequences of Risk –</p> <ol style="list-style-type: none"> <li>Poor decision making due to ineffective use of or insufficient availability of data and information sharing.</li> <li>Loss, misrepresentation or unauthorised disclosure of sensitive data, DBC has the potential to be susceptible to cyber-attacks or sabotage.</li> <li>Under performance. Breach of Data Protection Act</li> </ol>		<p>Information Security Officer appointed responsibilities include:</p> <ul style="list-style-type: none"> <li>the Council's Corporate Information Assurance specialist</li> <li>the custodian, owner and updater of ICT Security and Information Governance strategy, policy and procedure ensuring that the Council complies with the latest legislation in terms of ICT Security standards and compliance.</li> <li>To ensure that the Council's policies and procedures regarding ICT Security and Information governance are adhered to across all the Council's services.</li> <li>To keep informed of relevant technical innovation and changes to technological, infrastructure, telecom and software systems in relation to Information Security.</li> <li>To be the custodian and owner of Information Security and Governance Standards.</li> <li>To manage Information Security and Governance strategies and to support the Council in the future development of Information Security, Governance and Business Continuity.</li> <li>To train Council Staff, Members on Information Security, Data Protection Act and Freedom of Information Acts.</li> </ul>		<ul style="list-style-type: none"> <li>Information Security Officer appointed</li> <li>Various ICT policies and procedures in place</li> <li>Compulsory training for staff on Data Security</li> <li>PSN Compliance</li> </ul>		

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<p>leading to legal actions, fines, adverse publicity, and additional remedial and data protection costs. 4. Significant interruption of vital services leading to failure to meet duties and to protect people, finances and assets. 5. Potential damage to DBC's reputation.</p>	<p>Compulsory training for staff on Data Security - PSN Compliance - Audit of data protection approach</p>	
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## Sign Off and Comments

### Sign Off Complete

We continue to operate a robust approach to managing the risk of data security and protection. We are continuing to prepare for the new requirements under the new GDPR (which comes into force in May 2018). This includes an Information Audit, review of consent mechanisms, privacy impact assessments and updates to policies, procedures and breach reporting.

Overall systems availability in Q2 was 100%. We also continued to work towards PSN reaccreditation and implement the findings from the independent cyber security audit. More generally we operator a range of security measures including anti-virus software, corporate firewalls and various authentication processes.

The forthcoming refresh of our hardware and software will strength our approach and we are working with partners and BT to try and progress delivery of resilient lines. We are also working towards the upgrade of the Council's data centre.

We are continuing to run quarterly training courses and refreshers on the Data Protection Act which will be merged with the GDPR course in May 2018, Information Security Management and the Freedom of Information Act. Staff have to review and sign a number of Information Security / Management Policies (Including data protection) and all suppliers working with our data are required to complete an 'accreditation form'.

### F6 - Changes to legislation could negatively affect the medium to long term viability of the HRA Business Plan.

<p><b>Category:</b> Financial</p>	<p><b>Corporate Priority:</b> Affordable Housing</p>	<p><b>Risk Owner:</b> Mark Gaynor</p>	<p><b>Portfolio Holder:</b> Margaret Patricia Griffiths</p>	<p><b>Tolerance:</b> Treating</p>	
<p>Inherent Probability</p>	<p>Inherent Impact</p>	<p>Inherent Risk Score</p>	<p>Residual Probability</p>	<p>Residual Impact</p>	<p>Residual Risk Score</p>

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4 Very Likely	4 Severe	16 Red	4 Very Likely	3 High	12 Red
Consequences		Current Controls		Assurance	
<p>Since the 'once and for all' settlement with government on the self financing of the HRA there have been major legislative and policy changes which, overall, have impacted detrimentally on the HRA Business Plan:</p> <ul style="list-style-type: none"> <li>• The re-invigoration of the RTB which has increased sales from around 15-20 per year to well over 100</li> <li>• The parallel introduction of the RTB 'one for one' replacement scheme where the Council can use receipts to build new homes but only to pay for 30% of costs (leaving the other 70% to be sourced)</li> <li>• A change to national rent policy which moved from RPI + 0.5% to CPI + 1% and ending the process of reaching target rents (leaving 60% of DBC properties below target)</li> </ul> <p>The government now propose two further changes which, if enacted, will further constrain the capacity of the HRA Business Plan viability:</p> <ul style="list-style-type: none"> <li>• A rent reduction of 1% per year for four years and a complete inability to make any progress towards convergence to target rents (a reduction of income of £30M over the first four years and over £500M over the lifetime of the HRA Business Plan)</li> <li>• Enforced sales of 'high value' council homes as they become vacant to fund Housing Association RTB</li> </ul> <p>The first of these changes is already in draft legislation and the assumption must be that it will happen. The consequences are very significant, and even with</p>		<p>Elements of the changes are yet to apply (the rent changes start from April 2016) and the current controls – proper business planning, the disciplines of the MTFs, project and programme management arrangements, effective contract management, annual efficiency programmes and so on – reflect on the existing position and could provide sufficient mitigation to the long term business plan. The controls proposed for the new changes – if the proposed legislation is enacted – will only mitigate the impact to an extent as the scale of change, compounded with previous changes, are so significant. The controls are as follows:</p> <p>A complete review of the HRA Business Plan to spread the impacts over activities and over time. Initially, in order to deliver the current new build programme, this will be focused on a slowing down of the investment into current stock.</p> <p>Reducing the costs of running the service through efficiency and service redesign (in partnership with tenants and leaseholders).</p> <p>Improved procurement of services and renegotiation of existing contracts (though these have been procured within the last year or so and will restrict potential). This would include seeking shared services with other partners and models of operation which reduce the overheads of the HRA.</p> <p>Maximising the income to the HRA by altering use of</p>		<p>A remodelling of the HRA Business Plan has been made to take account of the impact of the changes which will be considered by Cabinet (initially in November 2015 and periodically thereafter). This has demonstrated that the current new build programme can be completed. The ability to extend this further will depend on the success of the mitigations above.</p>	

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mitigation will continue to be so:

The financial viability of the HRA to meet its current business plan objectives in full cannot be made due to loss of income and economies of scale as stock numbers diminish.

Services to tenants will have to reduce, including proposed investment in the existing stock, to deal with the scale of resource reduction.

The new build programme at its proposed scale will have to reduce, and possibly cease, in order to provide services to tenants and balance the books.

That resources provided through RTB one for one replacement will be unused and lost to the Borough as it is returned to the Treasury as a result of the Council's inability to provide the 70% match funding and as Housing Associations reduce their supply of new affordable homes (as a result of the same legislative changes impacting on the Council).

The Council's housing stock will progressively reduce through RTB, enforced sales and reduction in new build which will reduce its ability to meet the housing needs in the Borough and achieving the strategic objective of increasing the supply of affordable homes.

parts of the stock (increased use of HRA stock for temporary accommodation and provision of low level care as part of a tenancy where rent controls do not apply).

Altering the tenure mix of the current new build programme to include shared ownership and market sale in order to cross subsidise new rented provision. This could incorporate an element of affordable rent to increase revenue.

Development of a partnership approach to use of RTB one for one replacement funding with local Housing Associations in order to minimise losses of resource to the Borough and to increase supply of new homes.

Fully exploring the potential of a Local Housing Company to improve the cost of delivery of new homes alongside the benefits to the General Fund.

Lobbying of government regarding the disproportionately severe impacts of the changes, though historical reasons, on DBC seeking some local amelioration.

Ensuring that our intelligence on the changing position and on developments within the sector are fully up to date through membership of ARCH, liaison with CIH and other key bodies.

The following controls are in place already with regard to the financial and strategic management of the HRA Business Plan:

- An annual refresh of the HRA Business Plan reported both to CMT and to Cabinet
- Monthly meeting between budget holders and

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Page 15	<p>accountants monitoring progress against original timeframes and costs</p> <ul style="list-style-type: none"> <li>• Regular meetings of the Corporate New Build Group considering performance and new schemes</li> <li>• CMT receive a fortnightly update on the new build programme</li> <li>• Performance Board comprising Chief Officers and cabinet members receive a report on progress before each cabinet meeting</li> <li>• Reports on HRA performance go the Overview and Scrutiny every quarter</li> <li>• The HRA is reported as part of the overall corporate financial reporting process</li> </ul>	
	<b>Sign Off and Comments</b>	

Sign Off Complete

The Government has confirmed that from 2020 the rent regime will revert to CPI plus 1% rent increases. This will mean that whilst the loss of revenue for four years will never be recouped that a more reasonable approach going forward will be in place.

## F7 - Funding and income is not sufficient to deliver the Council's corporate objectives

<b>Category:</b> Financial	<b>Corporate Priority:</b> Dacorum Delivers	<b>Risk Owner:</b> James Deane	<b>Portfolio Holder:</b> Graeme Elliot	<b>Tolerance:</b> Treating	
<b>Inherent Probability</b>	<b>Inherent Impact</b>	<b>Inherent Risk Score</b>	<b>Residual Probability</b>	<b>Residual Impact</b>	<b>Residual Risk Score</b>
4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber
<b>Consequences</b>		<b>Current Controls</b>		<b>Assurance</b>	
The government's austerity programme has led to reduced Local Authority funding over the last five years,		The Council's Medium Term Financial Strategy and the HRA Business Plan are controls that mitigate the		There were three internal audit reviews undertaken by Mazars during 2014/15, which provide an external view	

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resulting in the Council's need to find savings of £5m since 2010/11. Further funding reductions in excess of £3m are forecast over the next four years, which increase the risk of the Council being unable to deliver its vision for the borough, as detailed in the Corporate Plan.  
([http://www.dacorum.gov.uk/docs/default-source/council-democracy/dacorum\\_corporateplan\\_web.pdf?sfvrsn=2](http://www.dacorum.gov.uk/docs/default-source/council-democracy/dacorum_corporateplan_web.pdf?sfvrsn=2))

Sustained funding reductions of this magnitude are not only a risk to the Council's capacity to grow and enhance the community, but more fundamentally they are a risk to the continued provision of high quality frontline services to residents.

If the Council is unable to deliver its vision or to protect its frontline service provision, it risks the following consequences:

Increased community hardship as the services provided to the most vulnerable residents in the borough are impacted, leading to delays in their accessing financial and residential help.

The impact of reducing standards of environmental services across the borough could lead to a less attractive environment and a loss of community identity and civic pride for residents.

Reputational damage as residents become dissatisfied

likelihood of this risk crystallising through the effective modelling of the future financial environment, which allows for more effective forward planning. These controls are detailed below, and have resulted in my reducing the inherent risk score from '4', Very Likely, to '3', Likely.

The Council's Medium Term Financial Strategy (MTFS) details the financial implications of the Corporate Plan over a five-year period. It ensures that the Council is able to forecast likely income pressures in the medium-term, and optimise the balance between its financial resources and the delivery of its priorities. The MTFS is reviewed at least annually and is approved by Full Council, thereby providing the opportunity for Members to make informed amendments to the Corporate Plan on the basis of likely funding constraints. The current version is accessible via the following link:

<http://www.dacorum.gov.uk/docs/default-source/council-democracy/mtfs-july-cabinet-2015.pdf?sfvrsn=0>

The Council's Housing Revenue Account (HRA) Business Plan maps planned income and expenditure over a thirty-year period. Government legislation that can affect the Council's delivery of social housing is incorporated within the plan and forms the basis for informed strategic decision-making.

of the effectiveness of the controls implemented by the Council to manage the financial risks to delivering its priorities.

The audits on 'Efficiency Savings' and 'Main Accounting' received a Full level of assurance (the highest available), and the audit on 'Budgetary Control' received a Substantial level of assurance (the second highest available).

In March 2017, the Council was again audited on 'Budgetary Control', and following improvements made in response to the previous audit of this area, the Council was this time awarded a 'FULL' level of assurance.

These internal audit opinions provide assurance that the Council is effectively controlling the processes that will enable it to derive value for money from its available resources, and therefore to maximise the opportunity for delivering its corporate objectives.



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with their experience of interacting with the Council. This risk is exacerbated by the growth of social media and the ability of residents to share their experiences with large numbers of people instantaneously.

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The Council's reviewing of its Corporate Plan together with its Communications Strategy mitigate the impact of this risk, should it occur, by keeping residents informed of the pressures faced by the Council, and consequently by managing aspiration and expectation (detail below). On this basis, I have reduced the Impact score from '4', Severe, to '3', High.

The Council reviews its Corporate Plan periodically to ensure that the vision for the borough remains relevant and realistic within the financial constraints outlined within the MTFs and the HRA plan. The aspirations of the Council and the community are managed through the Council's Communications Strategy both through social media, the local press and Digest.

## Sign Off and Comments

Sign Off Complete

The budget-setting process is underway for 2018/19, and an updated version of the MTFs was approved at the July Cabinet.

### I3 - The Borough does not secure sufficient investment in infrastructure to ensure that housing delivery and economic and community growth is sustainable in the longer term.

<b>Category:</b> Infrastructure	<b>Corporate Priority:</b> Affordable Housing	<b>Risk Owner:</b> Mark Gaynor	<b>Portfolio Holder:</b> Graham Sutton	<b>Tolerance:</b> Treating	
<b>Inherent Probability</b>	<b>Inherent Impact</b>	<b>Inherent Risk Score</b>	<b>Residual Probability</b>	<b>Residual Impact</b>	<b>Residual Risk Score</b>
4 Very Likely	4 Severe	16 Red	3 Likely	3 High	9 Amber

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Consequences	Current Controls	Assurance
<p>The provision of infrastructure such as schools, health, transport and other facilities is crucial to sustainability of the local community and economy. Its funding, however, is increasingly complex and difficult as central government moves away from direct provision and expects the development process and local partnerships to deliver it. Failure to provide this infrastructure will have a number of damaging consequences:</p> <ul style="list-style-type: none"> <li>• Reduction in the quality of life and opportunities for people in the Borough</li> <li>• A serious constraint to economic growth with the impact on the contribution to service provision through Business Rates growth</li> <li>• Increased community opposition to new developments, particularly housing, on the grounds that existing infrastructure will not cope</li> <li>• Damage to the image of the area, worsening of community pride and social cohesion and reputational damage to the Council</li> </ul>	<p>Infrastructure is provided through the development process (s106 and Community Infrastructure Levy) and elements of funding which comes from central government (increasingly through the LEP, bidding and HCC). The responsibility for some infrastructure elements is through privatised arrangements (utilities) or arms-length government agencies such as Network Rail. The ability of the Council to control these processes is limited.</p> <p>The Council is able to promote the quantum, nature and timing of growth making it more likely that the infrastructure will be delivered. It is also able to promote partnerships and use its asset base and influence to stimulate desired development. Current controls include:</p> <p>Ensuring that the Local Plan (and its component elements such as the Core Strategy, site allocations, supporting policies and so on on) is up to date and sets out very clearly the requirements of proposed development. This promotes sustainable development by design, access and movement, materials. Use of masterplanning supports what is required to be delivered to produce sustainability on larger sites.</p> <p>The approved Council's Community Infrastructure Levy Policy and schedule (CIL) provides for the levels of contributions that must be made by developers and the purpose for which they will be spent. This also includes an element of CIL which can be spent by local communities and act to link growth directly with</p>	<p>The process for setting out development delivered is through the Authority Monitoring Report. The agreed process for CIL will see an annual report setting out income due, achieved and expenditure made on agreed infrastructure.</p> <p>Regular reports are made as set out above in controls.</p>

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infrastructure provision local people want.  
Operating a 'open for business' approach to how the Council deals with potential development with a presumption of making acceptable development easier to deliver by proactive advice through the planning process. Allied to this is ensuring that the development management service is capable of achieving decision making within required time limits.  
Stimulating required growth through the Council's own regeneration activity, including Hemel Evolution, Gade Zone and Heart of Maylands resulting in inward investment being more likely.  
Increasing inward investment through initiatives such as Dacorum Look no Further, Ambassadors, direct provision of business advice and a supportive approach to new development.  
Good market intelligence through regular liaison with local employers, landowners, developers, institutional investors and land agents regarding demand and expected assistance.  
Partnership with the LEP as the main route for additional funding for infrastructure through influencing the Strategic Growth Plan (in which Hemel Hempstead and the M1 corridor is a priority) and bidding for resources for infrastructure (such as the £5M achieved for West Herts College)  
Working to create key partnerships to bring forward development capable of funding major infrastructure (such as Gorhambury)  
These controls are exercised within the following:

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Page 20	<ul style="list-style-type: none"> <li>• Monthly reporting to Hemel Evolution Board and Corporate Regeneration Group</li> <li>• Fortnightly reporting on key projects to CMT</li> <li>• Reporting to Performance Board before each Cabinet Meeting</li> <li>• A clear programme for the Local Development Framework and CIL</li> <li>• Quarterly reporting to Overview and Scrutiny</li> <li>• Regular reporting to Cabinet</li> <li>• Adherence to the agreed performance and project management processes</li> </ul>	
	<b>Sign Off and Comments</b>	
Sign Off Complete		
The launch of the Local Plan Issues and Options report and Exhibitions will bring the matter of infrastructure to the forefront and will be a key focus for local people		

R5 - The Council does not embrace the increased use of social media as a tool for social engagement and increased community engagement.					
Category:	Corporate Priority:	Risk Owner:	Portfolio Holder:	Tolerance:	
Reputational	Dacorum Delivers	Sally Marshall	Neil Harden	Treating	
Inherent Probability	Inherent Impact	Inherent Risk Score	Residual Probability	Residual Impact	Residual Risk Score
3 Likely	3 High	9 Amber	2 Unlikely	3 High	6 Amber
Consequences		Current Controls		Assurance	
The risk of not using social media  - This will mean that our approach to engagement (i.e. letters, workshops, printed magazines) is likely to exclude key demographic groups including younger		In order to mitigate these risks we have put in place a number of controls:  The risk of not using social media		<ul style="list-style-type: none"> <li>o Corporate Information Security Management Policy</li> <li>o Corporate Information Technology Security Policy</li> <li>o Data Protection Act Policy</li> <li>o Freedom of Information Policy</li> <li>o PSN/Government Connect (GSx) Acceptable Usage</li> </ul>	

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<p>residents and those who are more technologically minded.</p> <ul style="list-style-type: none"> <li>- We will not be able to respond to negative posts or views which could cause significant reputational damage or risk.</li> <li>- We will have less opportunity to influence Government and media through the use of targeted campaigns and communications.</li> <li>- The organisation may not be viewed as 'technologically forward thinking' which could lead to reputational risks. This includes more difficulty in attracting hi-tech investment or exclusion from innovation pilots.</li> </ul> <p>Managing the risk of social media</p> <ul style="list-style-type: none"> <li>- Members of the public can use DBC's profile to raise negative or incorrect statements that damage the reputation of DBC.</li> <li>- Employees may breach data security rules regarding the management of private or confidential information.</li> <li>- Inappropriate or unacceptable content posted by employees</li> <li>- Our social media accounts are 'identity jacked' which occurs when fake accounts are set up to look like those</li> </ul>	<ul style="list-style-type: none"> <li>- Our social media strategy sets out how we will proactively engage with residents through Twitter, Facebook, Linked In, Instagram and using online videos.</li> <li>- We have 18 social media accounts covering corporate and operational services including from the CSU.</li> <li>- We regularly use social media to actively promote campaigns, events and messages.</li> <li>- We interact with partners and other third parties (eg HCC) to promote joint initiatives via social media</li> <li>- We generate reports and analysis on scale and content of Facebook and Twitter posts.</li> </ul> <p>Managing the risk of social media</p> <ul style="list-style-type: none"> <li>- We employ the Crowd Control system to enable the Communications team to manage and authorise services posts and tweets.</li> <li>- The Crowd Control system also enables the Communications team to monitor and respond to any negative posts.</li> <li>- Our system provides automatic moderation of abusive messages.</li> <li>- We provide in-house training for all staff posting on</li> </ul>	<p>Policy</p> <ul style="list-style-type: none"> <li>o Information Security Incident Procedure</li> <li>o Social Media Strategy</li> <li>o Facebook and Twitter accounts</li> <li>o Social Media Management System</li> <li>o Dedicated communications specialists</li> </ul>
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of DBC. This is a risk because the fake accounts can post incorrect or inappropriate information which is then associated with DBC.

- Weak authentication in the use of social media accounts can lead to them being hacked. The hacked accounts are then used to post inappropriate, derogatory or libellous comments.

- The use of social media can make it easier for 'pressure groups' to generate support behind negative campaigns.

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DBC social media accounts.

- We use a subscription service that manages and secures accounts.

- All staff are required to read and sign-up to a range of policies including:

- Corporate Information Security Management Policy
- Corporate Information Technology Security Policy
- Data Protection Act Policy
- Freedom of Information Policy
- PSN/Government Connect (GSx) Acceptable Usage Policy
- Information Security Incident Procedure

## Sign Off and Comments

### Sign Off Complete

In Q2 we posted over 1,710 outbound messages across our 18 social media accounts, received over 663 direct messages which were responded to in accordance with our social media policy and guidance, and had a total potential twitter reach of 4.59 million viewers across our social media networks. We continue to operate a proactive and engaged social media programme, which is managed by a Communications Team with significant social media experience.

Some of the campaigns during this period include the announcement of the new splash park, launch of the renovated Water Gardens, Tour of Britain and Public Space Protection Order (PSPO) consultation. The success of our social media work is reflected in the local government ranking which regularly places Dacorum Borough Council as one of the highest ranked (of the 10 borough councils in Hertfordshire).



## AGENDA ITEM: 8

### SUMMARY

<b>Report for:</b>	<b>Cabinet</b>
<b>Date of meeting:</b>	
<b>Part:</b>	<b>I</b>
<b>If Part II, reason:</b>	<p>The Procurement Report is a Part 2 document as the report contains information relating to the financial or business affairs of the companies bidding for the contract.</p> <p>The report also contains information, which could be subject to a claim for legal professional privilege.</p> <p><b>(Local Government Act 1972, Schedule 12A, Part 1, Paragraphs 3 &amp; 5).</b></p>

<b>Title of report:</b>	Operating Contract for the Management of Leisure Services
<b>Contact:</b>	<p>Cllr Neil Harden, Portfolio Holder for Residents and Corporate Services</p> <p>Author/Responsible Officers;</p> <ul style="list-style-type: none"> <li>• Robert Smyth, Assistant Director (Performance, People &amp; Innovation)</li> </ul>
<b>Purpose of report:</b>	For Cabinet to review and approve the award of the contract for the management of the Council's leisure portfolio.
<b>Recommendations</b>	<p>That Cabinet approve the following recommendations:</p> <ol style="list-style-type: none"> <li>1. To award a 10-year contract (with an option to extend for a further 5 years) to Sports and Leisure Management Ltd (known as Everyone Active) for the delivery of the Leisure Services Contract.</li> <li>2. To delegate authority to the Assistant Director (Performance, People &amp; Innovation) in consultation with the Solicitor to the Council, Corporate Director (Finance and Operations) and Portfolio Holder for Residents and</li> </ol>

	<p>Corporate Services to finalise the terms of contract.</p> <p>3. That Cabinet note that there will be a variation to the contract sum to take account of the final list of transferring employees under TUPE and authorise the Assistant Director (Performance, People &amp; Innovation) in consultation with the Corporate Director (Finance and Operations) to agree the final contract sum.</p>
Corporate Objectives:	Clean, Safe and Enjoyable Environment – Leisure provision is central to delivering a borough that people can enjoy. This review will help ensure our approach continues to meet the needs of current and future residents.
Implications:  Value For Money Implications'	<p><u>Financial</u></p> <p>The recommendation for the award of this contract would deliver a significant financial return for the Council over the contractual term compared to the current situation whereby the Council pays a subsidy. It would also lead to new investment in the facilities.</p> <p><u>Operational</u></p> <p>The recommendation for the award of this contract would ensure that the Council is managing its leisure services in the most effective way possible. The Service Specification and Leisure Operating Contract (and the performance framework) will also ensure that operational performance is delivered in the way the Council wants.</p> <p><u>Value for Money</u></p> <p>The recommendation for the award of this contract would deliver significant value for money through a positive financial return and improved quality of service.</p>
Risk Implications	<p>There is always a risk that the contract would not deliver the level of management fee proposed. However, this is mitigated by the detailed analysis that has been undertaken on the financial and quality returns including with specialist support from our leisure consultant. There are legal risks as identified in the report and the financial and procurement implications need to be considered.</p> <p>However, all these risks would be managed through careful planning and project management and by ensuring that sufficient resources are allocated to this process.</p>
Community Impact	Community Impact Assessment carried out and it identifies no adverse impact on the community. Furthermore, the nature of the service is such that it is expected that this contract will have a positive community impact.
Health And Safety	The new contract will improve the management of health and



Implications	safety in relation to leisure. The Service Specification and Asset Management Responsibilities Matrix (which form part of the Leisure Operating Contract) will ensure that the operator is taking a robust approach to the management of health and safety. Furthermore, the Council will receive more information and assurance that health and safety management is in line with the latest legislation and good practice.
Monitoring Officer/S.151 Officer Comments	<p><b>Monitoring Officer:</b></p> <p>The proposed award of contract follows a regulated and competitive procurement process. The process has been supported by specialist industry consultants including support from external contract and procurement lawyers.</p> <p>The successful bidder will enter into an operating contract which is based on a Sport England Model with bespoke amendments relevant to the contracted services and as such is deemed a robust contract for enforcement and performance monitoring purposes.</p> <p><b>S.151 Officer</b></p> <p>The viability of the payments to the Council proposed within the winning bid rests on the accuracy of the income and expenditure projections within that bid. The assumptions underpinning these projections have been tested by the Service in conjunction with the Council's retained consultants and they appear reasonable.</p> <p>As with all commercial contracts, it is imperative that the Council monitors the provider's performance robustly, from the start of the contract and throughout, in order to mitigate the risk of underperformance and/or non-payment.</p> <p>More detail is included within Part II of this report.</p>
Consultees:	<p>The following stakeholders have been consulted:</p> <ul style="list-style-type: none"> <li>• Chief Executive</li> <li>• Portfolio Holder – Residents and Corporate Services</li> <li>• Corporate Director – Finance and Operations</li> <li>• Solicitor to the Council and Monitoring Officer</li> <li>• Group Manager – Procurement, Commissioning and Compliance</li> </ul>
Background papers:	<ul style="list-style-type: none"> <li>• Procurement Report Attached (Part II)</li> <li>• Community Impact Assessment Attached</li> </ul>
Glossary of acronyms and any other abbreviations used in this report:	<ul style="list-style-type: none"> <li>• TUPE - Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended)</li> <li>• TSC - Tring Sports Centre</li> <li>• RLP - Ridgeway Learning Partnership</li> <li>• DST – Dacorum Sports Trust</li> <li>• DUA – Dual Use Agreement</li> </ul>

## 1. Introduction

- 1.1 Ensuring residents have access to high quality leisure provision is central to the Council's corporate plan commitment to "*deliver a clean, safe and enjoyable environment*".
- 1.2 The Council has recently undertake a tender process for the management of its leisure services.
- 1.3 The following report therefore sets out the results of that process and recommendation for the award of the contract.

## **2. Background**

### **The Existing Approach**

- 2.1 In 2004, the Council created Dacorum Sports Trust (DST operating as 'Sportspace') and gave it responsibility for managing the Council-owned facility portfolio of Hemel Hempstead Leisure Centre, Berkhamsted Leisure Centre and Jarman Park Athletic Track.
- 2.2 As part of the contract, the Council also passed over obligations to operate the school-based dual use leisure facilities at Tring School, Hemel Hempstead School, and Longdean School.
- 2.3 In the last 14 years, the Council has paid grant subsidy for the management of the facilities. In addition, it provided a grant for sports development.

### **The Leisure Review**

- 2.4 In May 2016, the Council commissioned a review of its leisure services. The review used a range of methodological tools including Sport England data, consultation with key stakeholders, surveys of local clubs and use of the Sport England Facilities Planning Model.
- 2.5 In December 2016, Cabinet considered the review, which concluded that the introduction of a new commercial contract could deliver a range of benefits including new innovations, improved performance and greater value for money for Dacorum taxpayers.
- 2.6 In March 2017, Cabinet approved the decision to terminate the existing agreement and to commission an operator to manage the Council's leisure facilities.

### 3. Preparing for Procurement

- 3.1 A leisure consultant (The Sports Consultancy) has been appointed to support the procurement process. Specialist legal advisors (Browne Jacobsen) have also been retained to help draft the relevant documentation and to respond to any legal queries.
- 3.2 The Council has undertaken a number of consultation activities to help understand what Members, clubs and users want in a leisure contract.
  - Consultation workshop with 8 Members
  - Consultation workshop with 31 residents and local sports club representatives
  - A survey of all 51 Members
  - A survey of local sports clubs
  - Interviews with representatives from sports clubs and Herts Sports Partnership
  - Reviewing written responses from clubs and users
- 3.3 The Service Specification, Assets Management Responsibilities Matrix and the Leisure Operating Contract have been produced with input, support and knowledge of senior officers from a number of areas across the Council. This includes Finance, Regulatory Services (inc. health and safety), Asset Management, CCTV, Resident Services, Procurement, IT, HR, Community Partnerships and Legal Services.
- 3.4 The Service Specification has also been reviewed by a Panel of Members to ensure that our approach is in line with the expectations of Councillors.
- 3.5 In June 2017, Cabinet reviewed and approved the key principles for the procurement of a new leisure management contract. This considered the key service standards within the Service Specification and the criteria for evaluation.
- 3.6 In July 2017, Audit Committee considered an independent leisure services procurement assurance review undertaken by Mazars. This concluded that the “*procurement process appears efficient, effective and compliant*”. The review also found that decision-making and governance arrangements were sufficient and in line with best practice.

## **4. The Leisure Operating Contract – Key Elements**

### **Contract Term**

- 4.1 The contract length is for a period of ten years with a potential five-year extension. This is due to commence on 1<sup>st</sup> April 2018.

### **Facilities**

- 4.2 In line with the termination of the Funding Agreement and Lease Agreements, the following facilities have been included in the Leisure Operating Contract:

- Berkhamsted Sports Centre
- Hemel Hempstead School Courts (Dual-Use)
- Hemel Hempstead Sports Centre
- Jarman Park Athletics Track
- Longdean Sports Centre (Dual-Use)
- Tring Sports Centre (Dual-Use)

- 4.3 In parallel to this process, the Council has also been in discussion with Ridgeway Learning Partnership (RLP) about the future of Tring Sports Centre (TSC).

- 4.4 The Council will be bringing forward a Cabinet paper (Tring Sports Centre Management Responsibility) in January that sets out the Council's response (and recommendations) to this suggestion.

### **Contract Model**

- 4.5 The operator will be responsible for managing and maintaining the facility in line with the Council's Service Specification, Asset Management Responsibilities Matrix and their Method Statement responses.
- 4.6 They will retain any profit (or absorb any loss) from the contract and they will provide the Council with an annual management fee (as outlined in their financial return).

## **5. The Procurement Process**

### **Bidding Assumptions – TUPE and Equipment Costs**

- 5.1 In advance of the tender, the Council requested key information including an up-to-date employees list (with terms and conditions), membership data and details of equipment.
- 5.2 However, as this information was not provided, the Council has given bidders a series of 'bidding assumptions' and a guarantee that they will be in a "no better, no worse" financial situation if the real position is different to the assumption.
- 5.3 This difference would be addressed through a variance to the management fee and a mechanism for agreeing the variance will be set out in the contract.

### **Minimum Criteria**

- 5.4 Bidders were required to meet a series of 'Minimum Requirements' to ensure an appropriate level of financial sustainability.
- 5.5 This requirement has been assessed by the Finance Team and separately by the leisure consultant.

### **The Tender Process**

- 5.6 The Council has used an OJEU open tender process. This is the Open Procedure pursuant to the Public Contracts Regulations 2015 ("Regulations"). The tender was managed through the Supply Hertfordshire e-tendering portal and on the Government 'Contracts Finder' e-tendering portal.
- 5.7 The process ran from 14<sup>th</sup> August to 8<sup>th</sup> November. This included two extensions following a request from Bidders.
- 5.8 During this period, Bidders were able to submit clarification questions (the Council received 147) and attend one-to-one clarification meetings. They could also arrange site visits and inspect equipment and machinery.
- 5.9 As part of the evaluation process, the Council has also issued a number of clarification questions to Bidders.
- 5.10 The bids were evaluated against pre-determined award criteria (60% quality and 40% price), which included:-

<b>Evaluation Criteria</b>	<b>Sub Headings</b>	<b>Overall Score</b>	<b>Evaluation</b>
<b>Price</b>	<b>(Bidder's Proposed Management Fee ÷ Best Management Fee) x 40</b>	<b>40%</b>	<b>Tender Documents</b>
<b>Minimum Requirements</b>	Tenderers must satisfy the requirements in Appendix A	<b>Pass / Fail</b>	<b>Appendix A document</b>
<b>Quality</b>	(Method Statement 1) Operator's approach and strategy to activity Programming & Pricing including: Activity Programming, Pricing Requirements and Opening Hours	<b>15%</b>	<b>Tender Documents</b>
	(Method Statement 2) A focus on outcomes for Sports Development and Outreach	<b>13%</b>	<b>Tender Documents</b>
	(Method Statement 3) Operator's approach to Customer Service & User Experience including: Customer Service, Event Management & Marketing & Publicity	<b>12%</b>	<b>Tender Documents</b>
	(Method Statement 4) Facilities management including: Catering and Vending, Cleaning, Maintenance of Buildings, Access, Water, Drainage, Ventilation, Heating, Lighting etc.	<b>10%</b>	<b>Tender Documents</b>
	(Method Statement 5) Operator's approach to Staffing including: Staffing, Safeguarding, Health and Safety Management	<b>5%</b>	<b>Tender Documents</b>
	(Method Statement 6) Provision of Financial Reporting and information sharing including: IT, Business Records and Operating Performance	<b>5%</b>	<b>Tender Documents</b>

5.11 The criteria was assessed qualitatively using the scale below. Each of these criteria was scored out of five and multiplied by the attributed weighting shown in the Evaluation Criteria table above.

Score	Guidance
5	Excellent response that meets all Authority expectations for delivery of the contract with a high level of justification and a strong emphasis on an innovative, approach that adds value
4	High standard response that meets all Authority expectations for delivery of the contract with no reservations on achievability and appropriateness.
3	Good response, which generally meets Authority expectations for delivery of the contract, but with minor reservations on achievability and/or appropriateness.
2	A below expectation response for delivery of the contract, only meeting a small number of the Authority expectations and with reservations on its appropriateness and achievability.
1	Poor response, with reliance on generic statements, barely meeting Authority expectations.
0	Very poor generic response, which fails to meet Authority expectations for reasons of irrelevance, lack of appropriateness and/or concerns over achievability.

- 5.12 Bidders were also provided with guidance on what we would expect to see in the Method Statement (see Appendix 1).
- 5.13 To evaluate the overall management fee, tenderers completed a full 10-year operating model using the Council’s template and provided supporting commentary to explain the assumptions that underpinned their proposal.
- 5.14 Each bidder’s management fees were scored by reference to the highest proposed management fee payable to the Council of all bids received (the “Best Total Proposed Management Fee”). The bidder proposing the Best Management Fee scored the maximum of 40% and lower bids were scored against the Best Management Fee.

### **Evaluation**

- 5.15 The evaluation was undertaken by a panel of Senior Officers from Community Partnerships & Leisure, Procurement and Finance, supported by the Council’s Leisure Consultants.
- 5.16 In addition, senior officers from various departments including Resident Services, Regulatory Services, HR, ICT and Asset Management reviewed responses to relevant Method Statements.
- 5.17 Eight organisations registered on the portal and three engaged in the clarification process and the Council received tenders from two bidders:
- Dacorum Sports Trust (known as Sportspace)
  - Sports and Leisure Management (known as Everyone Active)



## **Minimum Requirements**

- 5.18 Bids were assessed against the Minimum Requirements. This includes grounds for mandatory exclusion, grounds for discretionary exclusion, economic & financial standing, technical & professional ability, modern slavery, and additional questions on insurance, equality and environmental management.
- 5.19 Both tenderers passed the minimum requirements check.

**Quality Evaluation**

Analysis of the scores is provided in Part II.

<b>Method Statement</b>	<b>Weighting</b>	<b>DST</b>	<b>SLM</b>
(Method Statement 1) Operator’s approach and strategy to activity Programming & Pricing including: Activity Programming, Pricing Requirements and Opening Hours	<b>15%</b>	<b>3 (9%)</b>	<b>4 (12%)</b>
(Method Statement 2) A focus on outcomes for Sports Development and Outreach	<b>13%</b>	<b>3 (7.8%)</b>	<b>5 (13%)</b>
(Method Statement 3) Operator’s approach to Customer Service & User Experience including: Customer Service, Event Management & Marketing & Publicity	<b>12%</b>	<b>3 (7.2%)</b>	<b>4 (9.6%)</b>
(Method Statement 4) Facilities management including: Catering and Vending, Cleaning, Maintenance of Buildings, Access, Water, Drainage, Ventilation, Heating, Lighting etc.	<b>10%</b>	<b>4 (8%)</b>	<b>4 (8%)</b>
(Method Statement 5) Operator’s approach to Staffing including: Staffing, Safeguarding, Health and Safety Management	<b>5%</b>	<b>3 (3%)</b>	<b>3 (3%)</b>
(Method Statement 6) Provision of Financial Reporting and information sharing including: IT, Business Records and Operating Performance	<b>5%</b>	<b>4 (4%)</b>	<b>4 (4%)</b>
<b>Total Score</b>	<b>60%</b>	<b>39%</b>	<b>49.6%</b>

## **Financial Evaluation**

Details of the financial evaluation are provided in Part II.

## **6. Awarding the Contract – Issues to Consider**

- 6.1 In considering the recommendations of the report, Cabinet need to be aware of a number of implications that would occur if the contract were awarded.

### **Management Fee Profiling**

- 6.2 Details of the implications of fee profiling are included in Part II of this report.

### **Tring Sports Centre Management Responsibility – Cabinet Paper**

- 6.3 Details of discussions with Tring School in relation to Tring Sports Centre are included in Part II of this report.

### **Capital Improvements**

- 6.4 Details of potential capital improvements are included in Part II of this report.

### **Breakage Costs**

- 6.5 As noted in the Leisure Cabinet Report (December 2016), the existing Funding Agreement (on which notice has been served), contains a clause, which makes the Council liable for any actual costs and expenses reasonably incurred as a direct result of the Council exercising the termination clause.

- 6.6 Details of the potential costs are included in Part II of this report.

### **Legal Implications**

- 6.7 Details of potential legal implications are included in Part II of this report.

## **7. Award and Implementation**

### Award

- 7.1 Following approval from Cabinet to award the contract, there will be a five-day call-in period after the publication of the cabinet minutes.
- 7.2 A Standstill period will then apply from Wednesday 27 December until Monday 8 January (to account for the Christmas period).

### Implementation

- 7.3 A Leisure Mobilisation Group will be set up to work with the operator to manage the mobilisation and launch.

## **8. Recommendations**

- 8.1 To award a 10-year contract (with an option to extend for a further 5 years) to Sports and Leisure Management Ltd (known as Everyone Active) for the delivery of the Leisure Services Contract.
- 8.2 To delegate authority to the Assistant Director (Performance, People & Innovation) in consultation with the Solicitor to the Council, Corporate Director (Finance and Operations) and Portfolio Holder for Residents and Corporate Services to finalise the terms of contract.
- 8.3 That Cabinet note that there will be a variation to the contract sum to take account of the final list of transferring employees under TUPE and authorise the Assistant Director (Performance, People & Innovation) ) in consultation with the Corporate Director (Finance and Operations) to agree the final contract sum.

## Appendix 1

### SUBMISSION REQUIREMENTS AND GUIDANCE

Table Submission requirements and guidance

Title	Description	Weighting	Guidance
Method Statement One	Activity Programming and Pricing Requirements, including: opening hours	15%	<p><b>Part 1C of the Services Specification (Service Performance Requirements)</b></p> <p>Bidders should demonstrate a balanced programme of usage and activities at each facility, in order to meet the needs of the catchment area. The programmes should be responsive to changes in demand and market trends. Bidders should indicate how the programming and activities will be delivered (with relevant examples as appropriate), and contribute to a commercially sustainable offer.</p> <p>Taking into account the Authority's required discounts for certain target groups, as set out in the Services Specification ('Authority Pricing Requirements'), in setting their proposed user prices, Bidders should demonstrate what research they have undertaken and why prices have been set at a certain level. Bidders are required to indicate peak and off-peak user prices for all activity areas, as well as for memberships, block bookings, and casual usage across all user groups (adult, junior, senior, concessions). Bidders should recognise the requirement for some of these user prices to be protected by the Authority ('Core Prices'), as set out in the Services Specification.</p> <p>Bidders should also make clear how the prices contribute to balancing community use with ensuring commercial success.</p>
Method Statement Two	Sports Development and Out Reach,	13%	<p><b>Part 1C of the Services Specification (Service Performance Requirements)</b></p> <p>Bidders should demonstrate how they will help the Authority to embed their new Sports and Physical Activity Strategy.</p> <p>Bidders should demonstrate a focus on outcomes for sports development, outreach and associated wider agendas for improving participation and activity and explain how these outcomes will be achieved, linking their method statement to proposals for community outreach, balanced programming, pricing and marketing.</p> <p>Referring to the required outcomes set out in the Services Specification, Bidders should explain how they will encourage greater participation in under-represented groups and help to address inactivity to reflect the Authority's forthcoming Sport and Physical Activity Strategy, as well as the Sport England Strategy.</p>

Title	Description	Weighting	Guidance
Method Statement Three	Customer Service and User Experience, including: Event Management, Marketing and Publicity,	12%	<p><b>Part 1C of the Services Specification (Service Performance Requirements)</b></p> <p>Bidders should outline their approach to customer care and how it will be used to improve overall customer experience.</p> <p>Bidders should indicate how data collected from user surveys, general customer research and market trend information would be used to improve services, products and increase participation. Bidders should also provide details of their complaint procedures.</p> <p>Bidders should demonstrate their approach to event management and outline their approach to balancing sporting and non-sporting events.</p> <p>Bidders should demonstrate their approach to marketing and public relations indicating how their marketing activity will promote use of the facilities and support both community and commercial outcomes. Responses should indicate how Bidders would address the development of a relevant annual Marketing Plan(s) that reflects local trends, venue capacity, target use and the social demographics of the area.</p>
Method Statement Four	Facilities Management including: Asset Maintenance; Cleaning; Catering & Vending	10%	<p><b>Part 1D of Services Specification (Facilities Performance Requirements)</b></p> <p>Bidders should demonstrate how they would maintain the facility to the best possible standard. For clarity, Bidders will be responsible for the repair, maintenance and replacement of assets as defined in the Asset Management Responsibilities Matrix (AMRM).</p> <p>Bidders should explain any proposed alternative approaches to those indicated by the Authority in the AMRM stating clearly, why an alternative approach is likely to deliver better value for money to the Authority and the price difference.</p> <p>Bidders should include a detailed 10-year asset management plan as an Appendix to their response.</p> <p>Bidders are required to set out their proactive and reactive approach to the cleaning indicating, how this will ensure a consistently high standard of cleanliness through the facility.</p> <p>Cleaning techniques, methods and products used should be outlined in addition to whether staff will be directly employed or if cleaning will be subcontracted.</p> <p>Bidders are encouraged to set out how they intend to manage catering and vending services. Good responses will provide detail of the requirements needed for a high quality operation, the locations of the catering and vending within the centres and how healthy options will be provided for on menus and/or through vending machines.</p>



Title	Description	Weighting	Guidance
Method Statement Five	Staffing	5%	<p><b>Part 1E of Service Specification (Business Processes Performance Requirements)</b></p> <p>Bidders should demonstrate how they will ensure provision of sufficient on-site staff at all times to secure a high level of performance and standard of customer service and trained staff to operate the facility and all services delivered at all times. Bidders should provide details on the staff recruitment, training (including safeguarding) and workforce development strategies that would be put in place to assure the Authority that the services will continue to be provided by appropriately qualified staff. Details around apprenticeship schemes offered should be outlined here.</p> <p>The management structure for the contract is critical and Bidders should provide a clear Organisational Chart (for all areas within the contract) that not only summarises at a senior management level the key functions and responsibilities of each role, but details reporting lines for all staff.</p>
Method Statement Six	Financial Reporting and Information Sharing,	5%	<p><b>Part 1E of Service Specification (Business Processes Performance Requirements)</b></p> <p>Bidders are requested to set out their proposals with regard to IT and digital/web access, including their preferred choice of IT systems.</p> <p>Regarding financial management systems and reporting, Bidders should indicate what systems it proposes to use to track financial performance, what quarterly information it proposes to share with the Authority, and how and when key performance indicators will be reported. Bidders are encouraged to provide samples of the quarterly management reports they propose to share with the Authority during contract.</p>

**Appendix 2 – 3**

See Part II.

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

Document is Restricted

## Community Impact Assessment

<b>Name and description of project, policy or service</b>	
<p><b><u>Decision to award Leisure Management Contract</u></b></p> <p>For Cabinet to review and approve the award of the contract for the management of the Council's leisure portfolio in line with the recommendation of the report.</p> <p>In doing so, this will introduce the new Leisure Management Contract and all of the accompanying documentation and contractual requirements (including the new Service Specification).</p>	
<b>Identifying the impact of this project, policy or service on the community and environment</b>	
	<p><b>Questions to explore:</b></p> <p>What positive impact will your project, policy or service have?            What negative impact will your project policy or service have?            How will you ensure any negative impact is limited?            What is the impact of doing nothing?</p>
<p><b>On the community in general</b>            e.g. social or economic benefits,            negative impacts</p>	<p><b><u>Benefits for the Community</u></b></p> <p>The new contract has a series of requirements to increase community outreach as part of the Sports Development and Outreach Strategy and the preferred Bidder has set out a detailed and resourced action plan, which will help ensure significant investment in community outreach.</p> <p>The performance requirements around programming and pricing will also ensure leisure access for the community and lead to a balanced and inclusive approach that benefits everyone.</p> <p>The proposal from the preferred bidder safeguards support for local clubs and increased engagement and support for vulnerable groups.</p> <p>The approach will also ensure that the operator is able to support the Council's aims and vision, while maximising value for money.</p> <p>Having a clear commercial contract (and performance-monitoring framework) will also make it easier for the Council to ensure that its objectives for community benefits are being met.</p> <p>No negative impacts are expected, but a significant monitoring regime is being put in place, and this will assure the Council that their expectations are being met. If not, action can be taken.</p>

## Community Impact Assessment

<p><b>On the council as an organisation</b> e.g. on staff, services or assets</p>	<p>Ensuring the effective management of the Council's assets enables it to deliver a vision of promoting sports and health participation across the borough.</p> <p>The submission from the preferred bidder ensures that the Council maximise returns from its new operating model.</p>	
<p><b>On the protected characteristics</b> Age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation (Specify where impacts are different for different characteristics)</p>	<p>Improving the quality of provision and access will have a positive benefit across all groups.</p> <p>The preferred bidders submission showed solid research into the make-up of these groups in Dacorum and the strategies they will use to maximise increase in engagement of sport and physical activity across the Borough, including with outreach activities.</p>	
<p><b>On the environment</b> e.g. effects on the climate, trees, amenity space, biodiversity, water, energy, waste, material use, air quality</p>	<p>The preferred bidder's submission identified several areas for improved energy efficiency, reducing costs and improving energy wastage.</p>	
<p><b>On the specific target community / location</b> e.g. if the project is based in a specific area or targeted community group</p>	<p>The project is not based in a specific area.</p>	
<p><b>Outline the approach you took to identify the need for this project, policy or service. Please include use of research, data and consultation with residents and/or staff.</b></p>		
<p>The recommendation for preferred bidder is based on structured evaluation of all bids received by a number of senior officers and an expert external consultant.</p>		
<p><b>Which commitment(s) does this policy, project or service support from the Equality and Diversity CIH Charter Housing Framework? <a href="#">Link to PDF CIH Commitments on intranet</a></b></p>		
<p>-</p>		
<p><b>How will you review the impact, positive or negative once the project, policy or service is implemented?</b></p>		
<p>Action</p>	<p>By when</p>	<p>By who</p>
<p>Regular contract management meetings and analysis of performance data</p>	<p>Ongoing from April 2018</p>	<p>Alex Care</p>

## Community Impact Assessment

Implement a robust performance monitoring regime	April 2018	Rob Smyth
Stakeholder feedback	Ongoing	Alex Care

**Reviewed and signed off by relevant Group Manager:**

Name: Robert Smyth

Role: Assistant Director – Performance, People & Innovation

Date: December 2017



## AGENDA ITEM: 10

### SUMMARY

Report for:	Cabinet
Date of meeting:	12 December 2017
Part:	I
If Part II, reason:	

Title of report:	<b>Treasury Management 2017/18 Mid-Year Performance Report</b>
Contact:	Cllr Graeme Elliot – Portfolio Holder for Finance & Resources  James Deane – Corporate Director (Finance & Operations)  Poonam Mehta – Senior Financial Accountant (Financial Services)
Purpose of report:	To provide Members with mid-year information on Treasury Management performance.
Recommendations:	That Cabinet considers and agrees the half-year report on targets and performance, in Sections 4-7.  That Cabinet notes the decision to elect to professional client status under the implementation of the Markets in Financial Instruments Directive (MiFID) II.
Corporate Objectives:	Dacorum Delivers – Optimising investment income for General Fund and Housing Revenue budgets whilst managing investment risk is fundamental to achieving the corporate objectives.
Implications:	<u>Financial</u> A summary of performance against the Council's budgeted investment income is included in Section 5 of the report.
'Value For Money' Implications:	<u>Value for Money</u> The Council is required to invest surplus funds to ensure that it maximises the benefit of cash flows.
Risk Implications:	Failures in the banking sector have increased the risk of investment being lost. A prudent approach to investment is required to minimise the risk to the Council of investment losses. Currently all DBC investments are in prime UK banks or in UK

	Government bodies; such as the DMO and other local authorities.
Community Impact Assessment:	There are no community impact implications.
Health And Safety Implications:	There are no health and safety implications.
Monitoring Officer/S.151 Officer Comments:	<p><b>Monitoring Officer:</b></p> <p><b>S.151 Officer</b></p> <p>This is a Section 151 Officer Report</p>
Consultees:	Link Asset Services ( previously known as Capita Asset Services)
Background papers:	Treasury Management Strategy (Budget Report Appendix K) - Cabinet 14 February 2017
Glossary of acronyms and any other abbreviations used in this report:	<p>Chartered Institute of Public Finance and Accountancy (CIPFA)</p> <p>Capital Financing Requirement (CFR)</p> <p>Gross Domestic Product (GDP)</p> <p>Monetary Policy Committee (MPC)</p> <p>Treasury Management Strategy Statement (TMSS)</p> <p>London Interbank Bid Rate (LIBID)</p> <p>Debt Management Office (DMO)</p> <p>Public Works Loan Board (PWLB)</p> <p>Housing Revenue Account (HRA)</p>

## 1. **Background**

- 1.1 The Treasury Management team manages the Council's cash-flows in order to strike the optimal balance between the following three elements:
- The liquidity requirements for the Council's day-to-day business;
  - Funding the Council's capital programme;
  - Investing surplus monies in line with the Treasury Management Strategy.
- 1.2 The purpose of this report is to update Cabinet on the economic environment in which the Treasury team is operating, highlighting some of the key challenges, and to provide details of the current investment position (see Section 5).

## 2. **Governance**



- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management 2011 (the Code) was adopted by this Council in 2011.
- 2.2 The primary requirements of the Code are as follows:
- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
  - Creation and maintenance of treasury management practices which set out the manner in which the Council will seek to achieve those policies and objectives;
  - Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year;
  - Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions;
  - This organisation nominates Cabinet to be responsible for ensuring effective scrutiny of the Treasury Management Strategy, policies and monitoring before recommendation to Full Council.

### **Mid-year Report**

- 2.3 This mid-year report has been prepared in compliance with the Code, and covers the following areas:
- An economic update for the first six months of 2017/18;
  - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
  - A review of the Council's investment portfolio for 2017/18;
  - A review of the Council's borrowing strategy for 2017/18;
  - A review of compliance with Treasury and Prudential Limits for 2017/18.

### **3. Economic update**

- 3.1 The commentary in this section reflects analysis provided by Link (previously known as Capita) Asset Services, the Council's treasury management advisers. It updates Members on the key factors around the economic conditions in which the Council is currently operating.
- 3.2 Growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the referendum, feeding increases in the cost of imports into the economy. This has caused, in turn, a reduction in consumer disposable income and spending power and so the services sector of the

economy, accounting for around 75% of GDP, has seen weak growth as consumers cut back on their expenditure.

- 3.3 More recently there have been encouraging statistics from the manufacturing sector which is seeing strong growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, this sector only accounts for around 11% of GDP so expansion in this sector will have a much more muted effect on the average total GDP growth figure for the UK economy as a whole.
- 3.4 The Bank of England at its meeting on 14 September 2017 surprised markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise. The Bank of England Inflation Reports during 2017 have clearly flagged up that they expected CPI inflation to peak at just under 3% in 2017, before falling back to near its target rate of 2% in two years time. Inflation actually came in at 2.9% in August, and so the Bank revised its forecast for the peak to over 3% at the 14 September MPC meeting.
- 3.5 In response the MPC increased the Bank Rate to 0.5% in November. The big question after that will be whether this will be a one off increase or the start of a slow, but regular, increase in Bank Rate. As at the start of October, short sterling rates are indicating that financial markets do not expect a second increase until May 2018 with a third increase in November 2019.

However, some forecasters are flagging up that they expect growth to improve significantly in 2017 and into 2018, as the fall in inflation will bring to an end the negative impact on consumer spending power while a strong export performance will compensate for weak services sector growth. If this scenario were to materialise, then the MPC would have added reason to embark on a series of slow but gradual increases in Bank Rate during 2018.

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

- 3.6 The Council's treasury advisor has provided the following rate forecasts prior to the November increase. The budget and forecasts contained within the Medium Term Financial Strategy are based on these forecasts. Fluctuations in the bank rate will impact on investment returns. Fluctuations on the PWLB rates will directly impact on future borrowing costs:

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
<b>Bank rate</b>	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
<b>5yr PWLB rate</b>	1.50%	1.60%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
<b>10yr PWLB rate</b>	2.20%	2.30%	2.30%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
<b>25yr PWLB rate</b>	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%
<b>50yr PWLB rate</b>	2.70%	2.70%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%

#### **4. Treasury Management Strategy Statement and Annual Investment Strategy update**

- 4.1 The Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by Council on 14 February 2017.
- 4.2 The Council's Annual Investment Strategy, which is incorporated within the TMSS, outlines the Council's investment priorities as follows:
- Security of capital;
  - Liquidity;
  - Return on investment.
- 4.3 The Council aims to achieve the optimum return on investments within the context of the first two priorities. A breakdown of the Council's investment portfolio, as at 30 September 2017, is shown in Appendix 1 of this report. Link Asset Services' full counter party credit list as at September 2017, which identifies those organisations with which the Council is able to place funds, is shown in Appendix 2.
- 4.4 All the Council's Investments during the first six months of the year have been placed in accordance with the approved strategy.

#### **5. Investment Portfolio 2017/18**

- 5.1 As outlined in section 3, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the current 0.25% Bank Rate.
- 5.2 The continuing potential for a re-emergence of a Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment and the fact that increases in Bank Rate are likely to be gradual and unlikely to return to the levels seen in previous decades, investment returns are likely to remain low.
- 5.3 The Council held £93.7m of investments as at 30 September 2017 (£81.7m at 31 March 2017). The investment return for the first six months of the year was 0.36%.
- 5.4 The Council's investment return for Q1 and Q2 2017/18 displays a £64k unfavourable variance against half yearly budgeted figure of £221k. The budget was set based on the last set of calculations undertaken for the Medium Term Financial Strategy. Since this document was created, the Bank of England base rate has increased by 0.25%, impacting on investment returns. Investment returns are expected to be under budget, however the forecast has risen slightly due to the higher than expected balances arising from the forecast slippage of Capital expenditure and higher rate of interest expected on investments placed during the second half of the year. The higher than expected balances held are also a result of remaining balance of £11.14m (of the £19.78m)

that the Council borrowed from PWLB in advance of need in order to take advantage of the historically low interest rates.

## **6. Borrowing**

- 6.1 The Council's Capital Financing Requirement (CFR) is the Council's underlying need to borrow for capital purposes, and is currently forecast to be £357.308m as at 31/3/18. This includes the borrowing from the Public Works Loan Board (PWLB) following the introduction of HRA Self Financing, and the £19.78m borrowing taken up in 2015/16 for general fund capital expenditure requirements.
- 6.2 As a Local Authority, the Council is able to borrow funds from PWLB, which operates within the Debt Management Office (DMO), an Executive Agency of HM Treasury.
- 6.3 The PWLB charges interest rates, which are linked to government gilts and are lower than what the Council would be able to achieve by raising funds through the capital markets. Following completion of a voluntary return on future borrowing requirements, the Council can borrow at the 'certainty rate' for all new borrowing that is 20 basis points below the published PWLB rates.

## **7. The Council's Capital Expenditure (Prudential Indicators)**

- 7.1 Prudential indicators are set each year as part of the Council's Treasury Management Strategy. They set the annual limits on borrowing, and provide a basis for assessing the affordability of financing costs, external debt and capital expenditure.
- 7.2 This part of the report 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.

### **7.3 Prudential Indicators for Capital Expenditure:**

The table below shows the revised estimates for capital expenditure with the changes since the capital programme was agreed at the Budget in February 2017, and the expected financing arrangements of this capital expenditure. Additional S106 contributions have been applied for 2017/18 due to identification of funding against schemes.

Capital Expenditure by Service	2017/18 Original Budget £M	Current Budget £M	2017/18 Revised Forecast £M
General Fund	11.582	9.130	10.972
HRA	40.940	34.028	33.311
<b>Total</b>	<b>52.522</b>	<b>43.158</b>	<b>44.283</b>
Financed by:			
Capital grants & S106	1.088		1.408
Capital receipts & reserves	32.857		25.378
Revenue	15.967		11.847
Borrowed in advance	2.610		5.650
<b>Total financing</b>	<b>52.522</b>		<b>44.283</b>
<b>Borrowing need</b>	<b>-</b>		<b>-</b>

7.4 The table below shows the CFR and the expected debt position over the period; termed the 'Operational Boundary'. The changes to the forecast CFR are due to revision of the Capital Programme, and incorporation of the actual outturn position from 2016/17.

	2017/18 Original Estimate £M	2017/18 Revised Forecast £M
<b>Prudential Indicator – Capital Financing Requirement</b>		
CFR – General Fund	14.518	11.136
CFR – HRA	346.172	346.172
Total CFR	360.690	357.308
<b>Net movement in CFR</b>	<b>2.043</b>	<b>5.650</b>
<b>Prudential Indicator – External Debt / the Operational Boundary</b>		
Borrowing	365.191	365.186
Other long term liabilities	0.188	0.188
<b>Total debt 31 March</b>	<b>365.379</b>	<b>365.374</b>

7.5 Prudential Indicator for Borrowing Activity:

The key control over 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. Net 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 2017/18 and the next two financial years.

7.6 The table below demonstrates that, in line with this prudential indicator, the Council's forecast net borrowing does not exceed the CFR for 2017/18.

	<b>2017/18 Original Estimate £M</b>	<b>2017/18 Revised Estimate £M</b>
Gross borrowing	365.191	365.186
Plus other long term liabilities	0.188	0.188
Less investments	(63.557)	(75.420)
Net borrowing	302.760	289.954
CFR (year-end position)	360.690	357.308

## 8. Other

### 8.1. Revised CIPFA Codes:

The Chartered Institute of Public Finance and Accountancy, (CIPFA), is currently conducting an exercise to consult local authorities on revising the Treasury Management Code and Cross Sectoral Guidance Notes, and the Prudential Code. CIPFA is aiming to issue the revised codes during November.

A particular focus of this exercise is how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the authority at a much higher level than can be attained by treasury investments.

One recommendation is that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the authority have been apportioned between treasury and non-treasury investments. Officers are monitoring developments and will report to members when the new codes have been agreed and issued and on the likely impact on this authority.

### 8.2 Markets in Financial Instruments Directive (MiFID) II:

The EU has now set a deadline of 3 January 2018 for the introduction of regulations under MiFID II. These regulations will govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. The Directive will result in the automatic reclassification of local authorities as retail clients unless they choose to elect to professional client status. The Council is electing to professional client status in order to preserve the range of financial instruments, advice and services that it currently accesses.

Appendix 1 - Investment Portfolio as at 30 September 2017

Borrower	Deposit Type	Principal	Date Lent	Date Repayable	Interest Rate	Duration (Days)	Approved Duration	DBC Limit(M)
Royal Bank of Scotland	Call Account	119,995	30/09/2017	01/10/2017	0.01%	1	12 months	12.5
Goldman Sachs	MMF	6,000,000	30/09/2017	01/10/2017	0.13%	1	100 days	7
Insight	MMF	7,000,000	30/09/2017	01/10/2017	0.17%	1	100 days	7
Bucks County Council	Investment	5,000,000	27/03/2017	02/10/2017	0.53%	189	6 months	9
Debt Management Office	Investment	2,000,000	10/08/2017	11/10/2017	0.10%	62	60 months	n/a
Debt Management Office	Investment	1,000,000	29/08/2017	11/10/2017	0.10%	43	60 months	n/a
Debt Management Office	Investment	1,000,000	31/08/2017	11/10/2017	0.10%	41	60 months	n/a
Debt Management Office	Investment	5,000,000	01/09/2017	11/10/2017	0.10%	40	60 months	n/a
Debt Management Office	Investment	1,000,000	01/09/2017	13/10/2017	0.10%	42	60 months	n/a
Coventry Building Society	Investment	3,000,000	02/05/2017	19/10/2017	0.33%	170	6 months	9
Debt Management Office	Investment	1,000,000	01/09/2017	20/10/2017	0.10%	49	60 months	n/a
Debt Management Office	Investment	1,000,000	01/09/2017	27/10/2017	0.10%	56	60 months	n/a
Barclays Bank	Investment	1,000,000	02/05/2017	31/10/2017	0.37%	182	6 months	9
Barclays Bank	Investment	1,000,000	09/05/2017	08/11/2017	0.36%	183	6 months	9
Barclays Bank	Investment	2,500,000	01/06/2017	08/11/2017	0.29%	160	6 months	9
Debt Management Office	Investment	1,500,000	11/09/2017	08/11/2017	0.10%	58	60 months	n/a
Coventry Building Society	Investment	1,500,000	25/05/2017	20/11/2017	0.29%	179	6 months	9
Coventry Building Society	Investment	1,500,000	23/06/2017	19/12/2017	0.34%	179	6 months	9
Nationwide Building Society	Investment	1,000,000	03/07/2017	19/12/2017	0.29%	169	6 months	9
Coventry Building Society	Investment	1,000,000	06/07/2017	05/01/2018	0.35%	183	6 months	9
Barclays Bank	Investment	2,000,000	01/08/2017	08/01/2018	0.28%	160	6 months	9
Nationwide Building Society	Investment	1,000,000	13/07/2017	08/01/2018	0.31%	179	6 months	9
Nationwide Building Society	Investment	1,000,000	01/08/2017	08/01/2018	0.28%	160	6 months	9
Santander UK plc	Investment	2,000,000	17/07/2017	08/01/2018	0.33%	175	6 months	9
Barclays Bank	Investment	1,500,000	24/07/2017	22/01/2018	0.32%	182	6 months	9
Barclays Bank	Investment	1,000,000	27/07/2017	22/01/2018	0.31%	179	6 months	9
Lloyds Bank plc	Investment	4,000,000	28/07/2017	26/01/2018	0.36%	182	6 months	9
Santander UK plc	Investment	2,000,000	31/07/2017	31/01/2018	0.34%	184	6 months	9
Lloyds Bank plc	Investment	1,000,000	15/08/2017	05/02/2018	0.36%	174	6 months	9
Lloyds Bank plc	Investment	1,000,000	16/08/2017	05/02/2018	0.31%	173	6 months	9
Nationwide Building Society	Investment	1,000,000	23/08/2017	23/02/2018	0.30%	184	6 months	9
Coventry Building Society	Investment	1,500,000	25/08/2017	26/02/2018	0.32%	185	6 months	9
Close Brothers Ltd	Investment	9,000,000	13/09/2017	06/03/2018	0.40%	174	6 months	9
Dundee City Council	Investment	5,000,000	19/09/2017	19/03/2018	0.33%	181	60 months	n/a
Lloyds Bank plc	Investment	1,500,000	28/09/2017	28/03/2018	0.36%	181	6 months	9
London Borough of Barking & Dagenham	Investment	4,500,000	29/09/2017	29/03/2018	0.40%	181	60 months	n/a
Royal Bank of Scotland	Investment	5,000,000	16/05/2017	15/05/2018	0.45%	364	12 months	12.5
Royal Bank of Scotland	Investment	2,500,000	01/08/2017	31/07/2018	0.59%	364	12 months	12.5
Royal Bank of Scotland	Investment	2,000,000	15/08/2017	14/08/2018	0.55%	364	12 months	12.5

Appendix 2 – Link Asset Services’ Approved Lending List – UK Banks and Financial Institutions

<b>Country</b>	<b>Counterparty</b>	<b>Approved Duration</b>	<b>DBC Limit (M)</b>
U.K	Abbey National Treasury Services plc	6 months	9
U.K	Bank of Scotland plc	6 months	9
U.K	Barclays Bank plc	6 months	9
U.K	Close Brothers Ltd	6 months	9
U.K	Goldman Sachs International Bank	6 months	9
U.K	HSBC Bank plc	12 months	10
U.K	Lloyds Bank plc	6 months	9
U.K	Santander UK plc	6 months	9
U.K	Standard Chartered Bank	100 days	7
U.K	Sumitomo Mitsui Banking Corporation Europe Ltd	6 months	9
U.K	UBS Ltd	6 months	9
U.K	Coventry BS	6 months	9
U.K	Leeds BS	6 months	9
U.K	Nationwide BS	6 months	9
U.K	Yorkshire BS	100 days	7
U.K	National Westminster Bank Plc	12 months	12.5
U.K	The Royal Bank of Scotland Plc	12 months	12.5