

A meeting of the **OVERVIEW AND SCRUTINY PANEL (ECONOMIC WELL-BEING)** will be held in the **CIVIC SUITE 0.1B, PATHFINDER HOUSE, ST MARY'S STREET, HUNTINGDON, PE29** on **TUESDAY, 8 DECEMBER 2015** at **7:00 PM** and you are requested to attend for the transaction of the following business:-

**Contact
(01480)**

APOLOGIES

1. MINUTES (Pages 5 - 10)

To approve as a correct record the Minutes of the meeting held on 5th November 2015.

**A Roberts
388015**

2. MEMBER'S INTERESTS

To receive from Members declarations as to disclosable pecuniary and other interests in relations to any agenda item.

3. NOTICE OF KEY EXECUTIVE DECISIONS (Pages 11 - 16)

A copy of the current Notice of Key Executive Decisions is attached. Members are invited to note the Plan and to comment as appropriate on any items as contained therein.

**M Sage
388007**

4. ZERO BASED BUDGETING UPDATE: PREPARATION FOR THE 2016/17 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY (Pages 17 - 24)

To consider a report by the Head of Resources on the Budget 2016/17 and the Medium Term Financial Strategy.

**C Mason
388157**

5. CUSTOMER SERVICE STRATEGY (Pages 25 - 46)

To consider a report by the Head of Customer Services to which is attached a revised Customer Services Strategy.

**J Taylor
388119**

6. CORPORATE FRAUD AND PROSECUTION POLICY (Pages 47 - 62)

To consider a report by the Benefits Manager seeking approval of the Corporate Fraud Team's work plan.

**A Burns
388122**

7. PROCUREMENT POLICY (Pages 63 - 70)

To consider a report by the Procurement Manager requesting endorsement of a Procurement Policy.

**N Arkle
388104**

8. RESERVES REVIEW (Pages 71 - 82)

- | | | |
|------------|--|---------------------------|
| | To consider and comment on the draft Reserves Policy prior to its submission to the Cabinet. | C Mason
388157 |
| 9. | COMMERCIAL INVESTMENT STRATEGY BUSINESS PLAN
(Pages 83 - 118) | |
| | To consider and comment on the Commercial Investment Strategy Business Plan prior to its submission to the Cabinet. | C Mason
388157 |
| 10. | WORKPLAN STUDIES (Pages 119 - 122) | |
| | To consider the Work Programmes of the Social and Environmental Well-Being Overview and Scrutiny Panels. | A Green
388008 |
| 11. | OVERVIEW AND SCRUTINY PROGRESS (Pages 123 - 124) | |
| | To consider a report on the Panel's activities and to scrutinise decisions taken since the last meeting as set out in the Decision Digest (circulated separately). | A Green
388008 |

Dated this 30 day of November 2015



Head of Paid Service

Notes

1. Disclosable Pecuniary Interests

- (1) *Members are required to declare any disclosable pecuniary interests and unless you have obtained dispensation, cannot discuss or vote on the matter at the meeting and must also leave the room whilst the matter is being debated or voted on.*
- (2) *A Member has a disclosable pecuniary interest if it -*
 - (a) *relates to you, or*
 - (b) *is an interest of -*
 - (i) *your spouse or civil partner; or*
 - (ii) *a person with whom you are living as husband and wife; or*
 - (iii) *a person with whom you are living as if you were civil partners*

and you are aware that the other person has the interest.
- (3) *Disclosable pecuniary interests includes -*
 - (a) *any employment or profession carried out for profit or gain;*
 - (b) *any financial benefit received by the Member in respect of expenses incurred carrying out his or her duties as a Member (except from the Council);*
 - (c) *any current contracts with the Council;*
 - (d) *any beneficial interest in land/property within the Council's area;*
 - (e) *any licence for a month or longer to occupy land in the Council's area;*
 - (f) *any tenancy where the Council is landlord and the Member (or person in (2)(b) above) has a beneficial interest; or*
 - (g) *a beneficial interest (above the specified level) in the shares of any body which has a place of business or land in the Council's area.*

Non-Statutory Disclosable Interests

- (4) *If a Member has a non-statutory disclosable interest then you are required to declare that interest, but may remain to discuss and vote providing you do not breach the overall Nolan principles.*
- (5) *A Member has a non-statutory disclosable interest where -*
- (a) a decision in relation to the business being considered might reasonably be regarded as affecting the well-being or financial standing of you or a member of your family or a person with whom you have a close association to a greater extent than it would affect the majority of the council tax payers, rate payers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the authority's administrative area, or*
 - (b) it relates to or is likely to affect a disclosable pecuniary interest, but in respect of a member of your family (other than specified in (2)(b) above) or a person with whom you have a close association, or*
 - (c) it relates to or is likely to affect any body –*
 - (i) exercising functions of a public nature; or*
 - (ii) directed to charitable purposes; or*
 - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a Member or in a position of control or management.*

and that interest is not a disclosable pecuniary interest.

2. Filming, Photography and Recording at Council Meetings

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Please contact Anthony Roberts, Democratic Services Officer, Tel No. 01480 388008/e-mail Anthony.Roberts@huntingdonshire.gov.uk if you have a general query on any Agenda Item, wish to tender your apologies for absence from the meeting, or would like information on any decision taken by the Committee/Panel.

Specific enquiries with regard to items on the Agenda should be directed towards the Contact Officer.

Members of the public are welcome to attend this meeting as observers except during consideration of confidential or exempt items of business.

[Agenda and enclosures can be viewed on the District Council's website – www.huntingdonshire.gov.uk \(under Councils and Democracy\).](#)

If you would like a translation of Agenda/Minutes/Reports or would like a large text version or an audio version please contact the Elections & Democratic Services Manager and we will try to accommodate your needs.

Emergency Procedure

In the event of the fire alarm being sounded and on the instruction of the Meeting Administrator, all attendees are requested to vacate the building via the closest emergency exit.

HUNTINGDONSHIRE DISTRICT COUNCIL

MINUTES of the meeting of the OVERVIEW AND SCRUTINY PANEL (ECONOMIC WELL-BEING) held in Civic Suite 0.1A, Pathfinder House, St Mary's Street, Huntingdon, PE29 on Thursday, 5 November 2015.

PRESENT: Councillor G J Bull – Chairman.

Councillors T D Alban, P L E Bucknell, Mrs A D Curtis, R S Farrer, L George, D Harty, B Hyland, J M Palmer, M F Shellens and J E White.

APOLOGY: An apology for absence from the meeting was submitted on behalf of Councillor E R Butler.

IN ATTENDANCE: Councillors J D Ablewhite, D B Dew, J A Gray and R B Howe.

44. MINUTES

Subject to the deletion of the words “an employee of” and to the inclusion of the words “was a customer of his” after the word “Peterborough” in Minute No. 15/37, the Minutes of the meeting of the Panel held on 8th October 2015 were approved as a correct record and signed by the Chairman.

45. MEMBER'S INTERESTS

No declarations of interests were received.

46. NOTICE OF KEY EXECUTIVE DECISIONS

The Panel received and noted the current Notice of Key Executive Decisions (a copy of which is appended in the Minute Book) which had been prepared by the Executive Leader for the period 1st November 2015 to 29th February 2016. Members noted that, following the decision on their remits, the Customer Services Strategy would be submitted to the appropriate Overview and Scrutiny forum in December. They also were acquainted with the particular circumstances of the approval of the Council Tax Base 2016/17.

47. TREASURY MANAGEMENT 2015/16 BIENNIAL REVIEW

(Councillor J A Gray, Executive Councillor for Resources, was in attendance for this item).

Consideration was given to a report by the Head of Resources (a copy of which is appended in the Minute Book) containing details of the Council's borrowing and investments for the period 1st April to 30th September 2015. Having commented on a loan by the Council and on the spread of the Council's investments, Members received

additional detailed information on the terms of those investments.

RESOLVED

- a) that the contents of the report be noted; and
- b) that the Cabinet be recommended to endorse the report for submission to the Council.

48. CORPORATE PLAN AND FINANCE - INTEGRATED PERFORMANCE REPORT (QUARTER 2)

(Councillors J D Ablewhite, D B Dew, J A Gray and R B Howe were in attendance for the discussion on this item).

Consideration was given to a joint report by the Corporate Team Manager and the Head of Resources (a copy of which is appended in the Minute Book) on progress against the Council's Key Indicators for 2015/16 in the period 1st July to 30th September 2015, the status of current projects and financial performance on revenue and capital spend as at 30th September 2015. Members were informed that 83% of the key actions were on target and of the reasons why some measures had not been achieved.

This was the first time the complete set of integrated performance information had been submitted to the Panel. At the suggestion of the Chairman, it was decided that key areas would be allocated to Members of the Panel who would then focus on them. This task would be completed at the next meeting. The Panel proceeded to examine in detail the information presented.

With regard to the Strategic Theme – A Strong Local Economy, a comment was made that the Council appeared not to be achieving some Development Management targets but, at the same time, it had made savings by holding open a number of posts in that section. In response, Councillor D Dew, Executive Councillor for Strategic Planning and Housing, accepted that the service had experienced problems but he stated that the vacant posts had not necessarily caused them. The Development Management section was subject to review and practices had been changed, which had resulted in more effective recruitment. The appointment of a Planning Services Manager (Development Management) was the first step and he had been given a number of key additional roles. Improvements in performance had already been achieved.

With particular reference to fast track pre-application advice, Councillor Dew stated that although the target had been missed, he was most disappointed that only one such enquiry had been received. An Officer recently had been appointed who would be solely responsible for this service.

Members commented generally on the need to improve communications between Development Management and other sections within the Council and with developers. Having been advised that measures had been taken in these areas and that ambitious targets had been adopted, which were achievable, assurances were received that it was highly unlikely the Council would be put into

special measures as it did not have a history of failing to meet its targets. It was suggested that future performance monitoring might include the length of time it took to issue decisions once planning permission had been approved.

In response to a question by Councillor J M Palmer, Members were informed that the Building Control shared service would achieve the expected savings because the budget allocated was net of the savings. Following a further question by Councillor T D Alban, it was reported that there was not a correlation between the collection of business rates and the collection of rent.

The view was expressed that the Budget consultation should be more effective. The aim was to obtain feedback that would enable the Council to take decisions informed by public opinion. It was suggested that preparation for consulting businesses in the New Year should begin urgently.

Councillor M F Shellens suggested that the Panel should receive a report on the Council's overall financial position. However, it was expected that the Budget report to the next meeting would provide this information. Councillor Shellens then asked what One Leisure's financial targets were. Councillor R B Howe indicated that the service aimed to achieve commercial rates of return on the capital employed within five years.

Further on the performance against Development Management targets, Councillor Dew responded to a question on affordable housing by stating that the viability test and Government changes to the thresholds meant it was unlikely the targets linked to need identified through the Strategic Housing Market Assessment would be achieved. On a related matter, the Council currently was examining the implications of the application of Right to Buy to Registered Providers.

Councillor P L E Bucknell asked about the uptake of activities for young people. The Head of Leisure and Health reported that the Youth Service had taken over the referral process but, following cuts to the service, this had ceased. The Council would be looking into taking this over. It was suggested that the Police and Crime Commissioner might provide funding for youth services.

During discussion on the projects being undertaken, a Member drew attention to the fact that some projects did not have any documents on the SharePoint site. It was agreed to pursue this through the Project Management Select Committee.

Through the Financial Performance Monitoring Suite for September 2015, Members gave consideration to a proposal to use an underspend in the current year to bring forward the procurement of an upgrade to the Capita payments system. On the grounds that it would improve resilience and the disaster recovery arrangements, the proposal was supported.

In response to a question by Councillor M F Shellens, it was agreed to circulate information to Members on the three strategic expansion locations in the draft Local Plan that were expected to produce an

increase in housing completions from 2018 onwards.

RESOLVED

- a) that the Cabinet be recommended to note the Panel's comments on progress against the Key Activities and Corporate Indicators, on current projects and on the Financial Performance Monitoring Suite, and
- b) that the Cabinet be recommended to include a supplementary capital bid in the 2015/16 Capital Programme for an upgrade to the Capita payments system.

49. OVERVIEW AND SCRUTINY PANEL STRUCTURE

Consideration was given to a report by the Policy, Performance and Transformation Manager (Scrutiny), which recommended the adoption of a new structure for the Overview and Scrutiny function. Members were informed the intention was that the new arrangements would better reflect that Council's strategic priorities, that more cross-remit working would be undertaken and that the Chairmen and Vice-Chairmen jointly would determine how work was allocated. Having received further information on the options considered, it was

RESOLVED

- a) that Option 2 referred to in paragraph 3.1 of the report now submitted be endorsed as the new structure for the Overview and Scrutiny function, and
- b) that the amendments to the Constitution also contained in the report be referred to the Corporate Governance Panel and Council in December.

50. EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

that the press and public be excluded from the meeting because the business to be transacted contains information relating to the financial or business affairs of any particular person (including the authority holding that information).

51. ONE LEISURE NEGOTIATIONS

(Councillor Robin B Howe, Deputy Executive Leader and Executive Member for Commercial Activities, was in attendance for this item).

Consideration was given to a report by the One Leisure Business Development Manager – Development (a copy of which is appended in the Annex to the Minute Book) seeking authority to undertake negotiations on behalf of One Leisure. On the understanding that reports on the progress of negotiations and on the terms of any agreement reached were submitted to Overview and Scrutiny, it was

RESOLVED

- a) that the Cabinet be recommended to approve the recommendations contained in the report now submitted, and
- b) that reports on the progress of negotiations and on the terms of any agreement reached are submitted to Overview and Scrutiny.

52. RE-ADMITTANCE OF THE PRESS AND PUBLIC

RESOLVED

that the press and public be re-admitted to the meeting.

53. WORKPLAN STUDIES

The Panel received and noted a report (a copy of which is appended in the Minute Book) which contained details of studies being undertaken by the Overview and Scrutiny Panels for Social Well-Being and Environmental Well-Being.

54. OVERVIEW AND SCRUTINY PROGRESS

(a) Work Programme

The Panel reviewed a report (a copy of which is appended in the Minute Book) on progress of its activities since the last meeting. Following a suggestion accepted by the Social Well-Being Panel the previous week, it was agreed to appoint Members to a Joint Working Group to collate the views of interested parties and partner organisations on the County Council's budget proposals and to make a co-ordinated response to the consultation from a Huntingdonshire perspective. It would also enable Members to look at the actions the Council and other organisations might need to take if the proposals were implemented.

(b) Decision Digest

The Panel received and noted 159th Edition of the Decision Digest.

Chairman

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NOTICE OF KEY EXECUTIVE DECISIONS INCLUDING THOSE TO BE CONSIDERED IN PRIVATE

Prepared by Councillor J D Ablewhite
Date of Publication: 11 November 2015
For Period: 1 December 2015 to 31 March 2016

Membership of the Cabinet is as follows:-

Councillor J D Ablewhite	- Executive Leader of the Council	3 Pettis Road St. Ives Huntingdon PE27 6SR Tel: 01480 466941 E-mail: Jason.Ablewhite@huntingdonshire.gov.uk
Councillor R C Carter	- Executive Councillor for Operations & Environment	5 The Paddock Bluntisham Huntingdon PE28 3NR Tel: 07986 325637 E-mail: Robin.Carter@huntingdonshire.gov.uk
Councillor S Cawley	- Executive Councillor for Organisational Change & Development	6 Levers Water Huntingdon PE29 6TH Tel: 01480 435188 E-mail: Stephen.Cawley@huntingdonshire.gov.uk
Councillor D B Dew	- Executive Councillor for Strategic Planning & Housing	4 Weir Road Hemingford Grey Huntingdon PE28 9EH Tel: 01480 469814 E-mail: Douglas.Dew@huntingdonshire.gov.uk

Councillor J A Gray - Executive Councillor for Resources	Vine Cottage 2 Station Row Catworth Huntingdon PE28 0PE Tel: 01480 861941 E-mail: Jonathan.Gray@huntingdonshire.gov.uk
Councillor R Harrison - Executive Councillor for Strategic Economic Development & Legal	55 Bushmead Road Eaton Socon St Neots PE19 8GC Tel: 01480 406664 Email: Roger.Harrison@huntingdonshire.gov.uk
Councillor R Howe - Deputy Executive Leader of the Council with responsibility for Commercial Activities	The Old Barn High Street Upwood Huntingdon PE26 2QE Tel: 01487 814393 E-mail: Robin.Howe@huntingdonshire.gov.uk
Councillor D M Tysoe - Executive Councillor for Customer Services 12	Grove Cottage Maltings Lane Ellington Huntingdon PE28 OAA Tel: 01480 388310 E-mail: Darren.Tysoe@huntingdonshire.gov.uk

Notice is hereby given of:

- Key decisions that will be taken by the Cabinet (or other decision maker)
- Confidential or exempt executive decisions that will be taken in a meeting from which the public will be excluded (for whole or part).

A notice/agenda together with reports and supporting documents for each meeting will be published at least five working days before the date of the meeting. In order to enquire about the availability of documents and subject to any restrictions on their disclosure, copies may be requested by contacting the Democratic Services Team on 01480 388169 or E-mail Democratic.Services@huntingdonshire.gov.uk. Agendas may be accessed electronically at www.huntingdonshire.gov.uk.

Formal notice is hereby given under The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 that, where indicated part of the meetings listed in this notice will be held in private because the agenda and reports for the meeting will contain confidential or exempt information under Part 1 of Schedule 12A to the Local Government (Access to Information) Act 1985 (as amended) and that the public interest in withholding the information outweighs the public interest in disclosing it. See the relevant paragraphs below.


Any person who wishes to make representations to the decision maker about a decision which is to be made or wishes to object to an item being considered in private may do so by emailing Democratic.Services@huntingdonshire.gov.uk or by contacting the Democratic Services Team. If representations are received at least eight working days before the date of the meeting, they will be published with the agenda together with a statement of the District Council's response. Any representations received after this time will be verbally reported and considered at the meeting.

Paragraphs of Part 1 of Schedule 12A to the Local Government (Access to Information) Act 1985 (as amended) (Reason for the report to be considered in private)

1. Information relating to any individual
2. Information which is likely to reveal the identity of an individual
3. Information relating to the Financial and Business Affairs of any particular person (including the Authority holding that information)
4. Information relating to any consultations or negotiations or contemplated consultations or negotiations in connection with any labour relations that are arising between the Authority or a Minister of the Crown and employees of or office holders under the Authority
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings
6. Information which reveals that the Authority proposes:-
 - (a) To give under any announcement a notice under or by virtue of which requirements are imposed on a person; or
 - (b) To make an Order or Direction under any enactment
7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

Huntingdonshire District Council
 Pathfinder House
 St Mary's Street
 Huntingdon PE29 3TN.

- Notes:- (i) Additions changes from the previous Forward Plan are annotated ***
 (ii) Part II confidential items which will be considered in private are annotated ## and shown in italic.

 Subject/Matter for Decision	Decision/ recommendation to be made by	Date decision to be taken	Documents Available	How relevant Officer can be contacted	Reasons for the report to be considered in private	Relevant Executive Councillor	Relevant Overview & Scrutiny Panel
Approval of Council Tax Base 2016/2017	Section 151 Officer	1 Dec 2015		Clive Mason, Head of Resources Tel No. 01480 388157 or email Clive.Mason@huntingdonshire.gov.uk		J Gray	Economic Well-Being
Home Improvement Agency - Annual Report	Cabinet	10 Dec 2015		Jo Emmerton, Housing Strategy Manager Tel No. 01480 388203 or email: Jo.Emmerton@huntingdonshire.gov.uk		D B Dew	Social Well-Being
Fraud Prosecution Policy	Cabinet	10 Dec 2015		Amanda Burns, Benefits Manager Tel No. 01480 388122 email: Amanda.Burns@huntingdonshire.gov.uk		D Tysoe	Economic Well-Being

Subject/Matter for Decision	Decision/recommendation to be made by	Date decision to be taken	Documents Available	How relevant Officer can be contacted	Reasons for the report to be considered in private	Relevant Executive Councillor	Relevant Overview & Scrutiny Panel
Commercial Investment Strategy Business Plan	Cabinet	10 Dec 2015		Ms Julie Slatter, Corporate Director (Services) Tel No. 01480 388301 email: Julie.Slatter@huntingdonshire.gov.uk		J Gray	Economic Well-Being
Procurement Policy	Cabinet	10 Dec 2015		Nigel Arkle, Procurement Manager Tel No. 01480 388104 email: Nigel.Arkle@huntingdonshire.gov.uk		J Gray	Economic Well-Being
Customer Service Strategy ***	Cabinet	10 Dec 2015		John Taylor, Head of Customer Services Tel No. 01480 388119 email: John.Taylor@huntingdonshire.gov.uk		D Tysoe	Economic Well-Being
Huntingdonshire Infrastructure Business Plan ***	Cabinet	10 Dec 2015		Paul Bland, Planning Service Manager (Policy) Tel No. 01480 388430 email: Paul.Bland@huntingdonshire.gov.uk		D Dew	Environmental Well-Being
Gambling Act 2005 Statement of Principles	Council	16 Dec 2015		Christine Allison, Licensing Manager Tel No. 01480 388010 email: Christine.Allison@huntingdonshire.gov.uk		R Harrison	Social Well-Being
Statement of Licensing Policy	Council	16 Dec 2015		Christine Allison, Licensing Manager Tel No. 01480 388010 email: Christine.Allison@huntingdonshire.gov.uk		R Harrison	Social Well-Being
Approval of Final 2016/17 Revenue and Capital Budgets and Medium Term Financial Strategy 2017/18 to 2020/21	Cabinet	11 Feb 2016		Clive Mason, Head of Resources Tel No. 01480 388157 email: Clive.Mason@huntingdonshire.gov.uk		J Gray	Economic Well-Being

Subject/Matter for Decision	Decision/ recommendation to be made by	Date decision to be taken	Documents Available	How relevant Officer can be contacted	Reasons for the report to be considered in private	Relevant Executive Councillor	Relevant Overview & Scrutiny Panel
Treasury Management Strategy 2016/17	Cabinet	11 Feb 2016		Clive Mason, Head of Resources Tel No. 01480 388157 email: Clive.Mason@huntingdonshire.gov.uk		J Gray	Economic Well-Being

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HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Zero Based Budgeting Update: Preparation for the 2016/17 Budget and Medium Term Financial Strategy
Meeting/Date:	Overview & Scrutiny Panel (Economic Well-Being) – 8 th December 2015 Cabinet – 10 th December 2015
Executive Portfolio:	Councillor Jonathan Gray Executive Portfolio Holder for Resources
Report by:	Head of Resources
Ward(s) affected:	All

Executive Summary:

As part of the budget setting cycle for 2016/17, the Council is continuing the Zero Based Budgeting exercise that started during the last financial year in preparation for the 2015/16 budget. The ZBB process is split into a number of Tranches, with Tranche 1 having been undertaken during the Autumn of 2014 (in which £1.8m was removed from the Councils 2015/16 budget) and Tranches 2 and 3 being undertaken during 2015/16.

In preparation for 2016/17 budget setting, Tranche 2 commenced in April 2015 and concluded with a Cabinet led Star Chamber in mid-July 2015 and reported to this committee and Cabinet in September 2015. Tranche 3 commenced in August and concluded with a Cabinet led Star Chamber in late November 2015; the estimated savings totalled in excess of £2.6m and the detailed service changes are shown in **Appendix 1**.

In addition to the above ZBB reviews a series of ZBB “Light” reviews for those services that were “heavy” reviewed (Tranche 1) in the last financial year.

Recommendation(s):

That Overview & Scrutiny (Economic Well-Being) Panel:

- i. notes the progress of the ZBB programme to date, and
- ii. reviews the Tranche 3 savings proposals noted in **Appendix 1** and provides comments to Cabinet accordingly.

That Cabinet:

- i. Comments on the progress of the ZBB programme to date.
- ii. Reviews the Tranche 3 savings proposals noted in **Appendix 1** and agrees their inclusion in the forthcoming 2016/17 budget and MTFs.

1. PURPOSE

- 1.1 To provide members with an update on the Zero Based Budgeting (ZBB) process in preparation for the 2016/17 Budget and Medium Term Financial Strategy (MTFS).

2. BACKGROUND

- 2.1 As a result of:

- an external audit recommendation following the audit of the 2013/14 Annual Financial Report,
- the new management team's focus on ensuring that the Council has effective control and understanding of cost base,
- a past trend of excessive budget under spending over a number of years,
- a need to deliver significant budget savings over the medium term,
- a wish by members to have a more engaged and transparent budget process,

it was agreed by Cabinet that by the time that the 2016/17 Council Tax was to be set, all Council services would have been subject to a ZBB review. During the late summer of 2014 a comprehensive ZBB programme was developed that would involve all services being split into three Tranches and subject to a "Heavy" review process. Therefore for the:

- 2015/16 Budget, the Tranche 1 "Heavy" review was completed along with a "Light" review of all other services.
- 2016/17 Budget, Tranche 2 and 3 "Heavy" reviews will have been completed along with a "Light" review for all other services.

ZBB Tranche 1

- 2.2 Tranche 1 commenced in early Autumn 2014 and the services included were:

- Leisure & Health: One Leisure
- Community: Health Protection and Animal Welfare/Pest Control
- Operations: Greens Spaces and Car Parking
- Resources: All teams except Estates.

- 2.3 Along with the "Light" reviews; the total net ZBB related saving that was included within the 2015/16 budget was £1.8m.

3. 2016/17 BUDGET SETTING AND MTFS

- 3.1 In February 2016, Full Council will be presented with the proposed budget for 2016/17 and the MTFS, Council will then set the Council Tax for the forthcoming year. By this time Tranche 2 and 3 of the ZBB process will have been completed.

ZBB Tranche 2

- 3.2 Tranche 2 itself commenced in April 2015 and was completed in July 2015, with the outcomes reported to Cabinet in September 2015. The recommendations from this review accepted by the Star Chamber will be incorporated into the Council's budget that will culminate in reports to Cabinet

and Full Council in February 2016. The Tranche 2 reviews recommended savings totalling £1.4m over a four year period to 2019/20. The services that were subject to a “Heavy” review in Tranche 2 were:

- Development (including Housing Strategy and Economic Development)
- Community: Licensing and Projects & Assets
- Customer Services (including Housing Needs and Document Centre)
- Resources: Estates

ZBB Tranche 3

3.3 Tranche 3 commenced in August 2015 with the Star Chamber taking place in November 2015. The services that have been subject to a “Heavy” review are:

- Community: CCTV
- Customer Services: Local Taxation and Benefits
- Operations: all services
- Leisure & Health: Sports and Active Lifestyle Team
- Corporate Team and Directors

3.4 By the conclusion of Tranche 3, all services will have been subject to the ZBB “Heavy” process.

3.5 As last year:

- an external “on-site” specialist has been appointed who is leading the day-to-day ZBB programme; this includes ongoing project management, service liaison and critical friend challenge. The appointee is a long-serving local government finance specialist who has expertise in technical, financial and budget management.
- Pixel Financial Consulting have been appointed to provide strategic benchmarking, forecasting and budgeting advice.

3.6 Members will recall that a key milestone in the ZBB process is the presentation of service change options to a Star Chamber. The Tranche 3 Star Chamber was held on the 23rd and 24th November and the Cabinet members who attended the Star Chamber were the Leader and the Executive Portfolio Holder for Resources (Chairman). For each service, various options for service change were presented by the respective Executive Portfolio Holder, with support from the relevant Head of Service and a summary of the savings that were accepted by the Star Chamber is shown at **Appendix 1**. At this time, the confirmed savings that can be included in the MTFS 2016/17 – 2019/20 are £2.7m.

3.6 As well as the savings proposals being accepted, that are shown in **Appendix 1**, the CCTV and Sports and Active Lifestyle Team services were asked to investigate a number of additional opportunities for savings. If any additional savings are identified as a result of this further work it will be reported as part of the overall Budget Setting 2016/17 report, no later than February 2016

Impact on Resources

3.7 The current MTFS modelled a total draw-down from General Reserves of £6.3m between 2016/17 and 2019/20. As summarised in **Table 1** below, after the savings from Tranche 2 and Tranche 3 are achieved, by 2019/20 (the last year of the current MTFS) the:

- forecast net saving to the budget is 18.7%, and the
- total contribution to reserves over the 4-years will be £6.7m, a movement of £13m. This will assist the Council in meeting potential future grant and funding reductions from Central Government which are currently being modelled, it is expected that the Government will announce the 2016/17 settlement in mid to late December. Further it should be noted that in each year of the MTFS there are no contributions from reserves required.

Table 1	Impact of ZBB Tranche 2 savings on the 2015/16 Budget and MTFS (Reserves & Net Expenditure)				
	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	Total £000
RESERVES					
2015/16 MTFS: Planned Reserves Used to balance budget	298	1,537	2,073	2,355	6,263
Tranche 2 Savings	(966)	(1,164)	(1,314)	(1,384)	(4,828)
Tranche 3 Savings	(1,331)	(1,883)	(2,217)	(2,677)	(8,108)
Revised Contribution to Reserves	(1,999)	(1,510)	(1,458)	(1,706)	(6,673)
NET EXPENDITURE					
Approved 2015/16 MTFS Net Expenditure:	19,870	20,671	21,259	21,721	
Post Tranche 2 & 3 2015/16 MTFS Net Expenditure	17,573	17,624	17,727	17,660	
Tranche 2 Savings	(966)	(1,164)	(1,314)	(1,384)	
Tranche 3 Savings	(1,331)	(1,883)	(2,217)	(2,677)	
Reduction in Net Expenditure	11.6%	14.7%	16.6%	18.7%	

Other Budget work currently being undertaken

3.8 ZBB Light
During the late Summer/Autumn of 2015, further “Light” reviews will be undertaken of those services that were in Tranche 1.

3.9 Cross-Cutting Review
The ZBB process currently being undertaken has followed a traditional “bottom-up” approach. However, it is considered that there may be some advantage in undertaking two cross-cutting reviews, namely Administrative Support and Design Services. Such an approach may allow some cross-service efficiencies to be achieved but also allow for a practical evaluation of the cross-cutting ZBB approach for future budget setting cycles. These reviews will take place during 2016/17 and any outcomes will be fed into the 2017/18 budget setting process

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

- 4.1 To be circulated after the Overview & Scrutiny (Economic Well-Being) Panel to be held on the 8th December 2015.

5. LINK TO THE CORPORATE PLAN

- 5.1 Zero Based Budgeting is a key action within the Corporate Plan Strategic Theme “Ensuring we are a customer focused and service led council” by “becoming more business-like and efficient in the way we deliver services”.

6. LEGAL IMPLICATIONS

- 6.1 There are no direct legal implications arising from this report.

7. RESOURCE IMPLICATIONS

- 7.1 The implications in respect of ZBB are detailed within the report.

8 REASONS FOR THE RECOMMENDED DECISIONS

- 8.1 To ensure that there is continued strategic support of the ZBB process and that Cabinet fully support the Tranche 3 proposed savings following the November Star Chamber.


9. LIST OF APPENDICES INCLUDED

Appendix 1 – ZBB Tranche 3 Savings

BACKGROUND PAPERS

Enclosed

CONTACT OFFICER

Clive Mason, Head of Resources
 01480 388157

Star Chamber Confirmed Service Change Proposals & Budget Implication					
Service	Recommendation	2016/17 (£'000)	2017/18 (£'000)	2018/19 (£'000)	2019/20 (£'000)
Operational Services					
Waste Management	Reconfiguration of rounds for residual waste, green waste & recycling to bring about more efficient collection	207	276	276	276
Whole Service	Staff Restructuring	300	300	400	400
Whole Service	Income Generation and full cost recovery - Parking Services - Trade Waste - Grounds Maintenance - Street Cleansing - Countryside Service	300	400	440	560
Grounds Maintenance	Operational efficiencies in the provision of the grounds maintenance service	50	80	130	180
Parking Facilities	Car Park rationalisation programme	0	8	8	8
	Additional income from external lettings at PFH and EFH	3	24	24	124
One Leisure	Utilities from energy management measures at One Leisure sites (Saving will be from One Leisure, included here as within Operational ZBB review)	0	33	69	109
		860	1,121	1,347	1,657
Customer Services					
Local Taxation	Changes to billing - single bills with HB and e-billing	2	7	12	12
	Online self-service for customers	21	42	42	42
	Changes to telephone answering standards	21	21	21	21
Housing Benefits & Fraud	Online self-service for customers	55	55	55	55
	Send single annual bill and benefit entitlement	12	12	12	12
	Staff savings following introduction of Universal Credit	0	0	0	100
	Review of benefits surgery in St Ives	5	10	10	10
	Increased recovery of HB Overpayments	7	17	17	17
Local Taxation & Housing Benefits	Restructure to form a single team	0	100	100	100
	Shared Service with Strategic Partners	0	0	50	100
		123	264	319	469
Leisure & Health	Budget realignment of prior year budget error	51	51	51	51
Sports & Leisure	Income generation from activities	8	9	9	9

	Staffing efficiencies through better balance of permanent and casual staffing	21	28	28	28
	general efficiency savings and savings following ending of DAS project	22	35	35	35
		102	123	123	123
Community Services					
CCTV	Final Savings as a result of shared service	0	3	5	5
	Wireless CCTV cameras	25	50	50	50
		25	53	55	55
Corporate Services					
	Improved efficiencies within team, through deleting vacant posts and realignment of duties.	127	127	127	127
	Miscellaneous savings across supplies and services	30	30	30	30
	Restructure of Management team	0	0	50	50
	Review of LGSS Contract	4	79	79	79
	Communications team shared service	0	17	17	17
	Efficiencies through the centralisation of training across the Council.	60	60	60	60
	Additional income from provision of training to town and parish councils	0	10	10	10
		221	323	373	373
Savings - ZBB Tranche 3		1,331	1,883	2,217	2,677

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**Public
Key Decision - Yes**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Customer Service Strategy

Meeting/Date: Overview & Scrutiny (Economic) – 8th December 2015
Cabinet – 10th December
Council – 16th December

Executive Portfolio: Executive Councillor for Customer Services

Report by: Head of Customer Service

Ward(s) affected: All

Executive Summary:

Members provided feedback on a proposed revised Customer Service Strategy earlier in 2015. A summary 'on a page' was produced and this has been revised in light of feedback.

In addition, and as discussed with Members previously, this summary has been developed into a wider and more comprehensive document. This takes the foundation of the previous Strategy and has updated the content to reflect other Council Strategies and Policies. The summary also takes into account customer feedback – and has passed through a number of Officer groups.

Once approved by Members the new Strategy will be communicated to the organisation and delivery of actions will begin. Key to this is the mandatory inclusion of actions to deliver this Strategy in all Service Plans that will be produced by the Senior Management Team in 2016/17.

Recommendation(s):

It is recommended:

- Overview & Scrutiny (Economic) provide any necessary feedback on the Strategy
- Cabinet, having assessed any feedback from Overview & Scrutiny (Economic), approve the revised Customer Service Strategy

1. PURPOSE

1.1 This paper is intended obtain Cabinet approval of a revised Customer Service Strategy.

2. BACKGROUND

2.1 The Customer Service Strategy is a key corporate document. It sets out how the Council will deliver customer service across the Council and underpins much of what the Council does. It is an important document for Officers, and allows the Council to look ahead and focus on what it needs to do to deliver good customer service.

2.2 The current version of the Customer Service Strategy was approved in 2013. Since that time considerable change has happened at the Council and it is prudent to ensure the document is fit for purpose and compliments other strategic plans.

2.3 Earlier in 2015 Overview and Scrutiny and Cabinet both reviewed and commented on a simple summary 'on a page' that would be developed in light of Member feedback. This summary was also to be expanded to provide a more comprehensive document suitable for Officer and Member use.

3. ANALYSIS

3.1 Officers reviewed the content and layout of the previous strategy. The document contained useful content and ideas, many of which remain relevant today.

3.2 However this assessment also identified that:

- The current plan is extremely ambitious and stretches to 36 pages in length. It is not easy to quickly grasp the key elements of the Strategy.
- The focus of many actions is on the Customer Service Team – rather than the Council as a whole. This focus has inevitably meant the delivery of the Customer Service Strategy has not 'reached out' into the organisation as intended.
- The number of actions is considerable and many are specific to certain services or tasks – and don't impact across the Council.

3.3 Officers have also examined a number of key documents, including the:

- Corporate Plan – to ensure its objectives are supported by the emerging Customer Service Strategy
- Council's Code of Conduct – to ensure the Core Values of the Council are woven into the emerging Customer Service Strategy
- 'Plan-on-a-page' – making sure the Customer Service Strategy compliments the strategic aims of the Council and the financial challenges faced.
- Latest feedback we have from Customers on what the Council does, and what the Council's priority services should be

3.4 Having completed the review it has become apparent a revised Customer Service Strategy should be shorter, simpler to understand and relevant to Officers and Members alike. This was confirmed in the feedback received on the draft summary 'on a page'.

3.5 The final Customer Service Strategy is attached, and contains:

- A one page introduction from Executive Councillor for Customer Service
- A single page showing the summary 'on a page'
- A page for each of the principles that expands and explains in more detail what each means

- Some pages explaining how achievement of the strategy will be monitored

3.6 The Strategy has developed since Members gave their feedback, and of particular note is:

- The specific inclusion of the wording for the Strategic Aims and Objectives from the Council's Corporate Plan. This will strengthen the links between this Strategy and the Council's key forward planning document.
- Simplification of the summary on a page, making it easier to understand.
- The inclusion of examples of good practice across the Council to make the document more 'real' for staff and encourage Officers to generate and deliver their own actions alongside other colleagues.

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

4.1 Comments to be sought from O&S (Economic).

5. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED?

5.1 Customer Service means many things to many people – including every comment and idea from consultation on the Strategy will not be possible. By involving key stakeholders and listening to their views the Strategy should meet the needs of most contributors.

5.2 The Strategy may be seen as owned by the Customer Service Team – not every Council service. The Senior Management Team and all Portfolio Holders will play a key role in ensuring this does not happen.

6. TIMETABLE FOR IMPLEMENTATION

6.1 The timetable for implementation of the strategy is shown below:

Date	Action	Notes
Dec -15	Approval of the Strategy by Members	Signs this off as a key corporate strategy
Jan -15	Communication of the Customer Service Strategy	Will require a detailed communications plan
Jan-Apr 16	Integration into Service Plans for 16/17	Senior Management Team to consider how their teams can contribute to the Strategy
Apr-16 onwards	Ongoing management & delivery becomes Business As Usual	Annual review and progress updates within monitoring of the Corporate Plan and Service Plans

7. LINK TO THE CORPORATE PLAN

7.1 This Strategy directly supports the Council Objective 'Ensure we are a customer focussed and service led Council' – but it also contributes to all the strategic priorities and objectives.

8. CONSULTATION

8.1 To date the summary has been developed in light of feedback from:

- Cabinet
- Overview and Scrutiny (Economic)

- The Customer Service Governance Board
 - The Senior Management Team
 - A number of operational staff – for example Call Centre and CSC staff
- 8.2 The Strategy also examined the findings from the most recent survey of customers. The ‘Balancing the budget - Have your say’ consultation was aimed at providing residents, businesses and the voluntary sector, with the opportunity to comment on service priorities. The process also raised awareness of what the council does and the financial pressures it faces. Over 700 responses were received.
- 8.3 The survey showed most customers are focussed on the delivery of high quality visible services such as Waste Collection, Parks & Open Spaces, Environmental Health etc. Services such as Markets, Street Rangers and Customer Service were scored as less relevant for Customers – but these services also scored highly as ‘don’t know’ indicating many customers do not fully understand what services these teams provide.
- 8.4 Alongside this assessment of the services provided by the Council the ‘free-text’ responses from customers were assessed. Findings in this area focussed on car parking, the local economy, areas outside of the Council’s control (e.g. Parish/County issues) and income generation.
- 8.5 This consultation exercise was useful in determining priorities for the budget setting process. Understanding what is important to customers gives the Council a clear focus on ensuring priority services (e.g. waste collection) continue to provide good quality service within the context of a revised Customer Service Strategy – something the Zero Based Budgeting exercise will help achieve.

9. LEGAL IMPLICATIONS

- 9.1 No Legal implications.

10. RESOURCE IMPLICATIONS

- 10.1 No Resource implications

11. OTHER IMPLICATIONS

- 11.1 None.

12 REASONS FOR THE RECOMMENDED DECISIONS

- 12.1 The Customer Service Strategy is an important document, and is ready for a revisit.
- 12.2 A proposed summary of the new Strategy was produced and in the light of feedback has been developed. This fuller revised document is now ready for approval and delivery.
- 12.3 It is recommended:
- Overview & Scrutiny (Economic) provide any necessary feedback on the Strategy
 - Cabinet, having assessed any feedback from Overview & Scrutiny (Economic), approve the revised Customer Service Strategy.

13. LIST OF APPENDICES INCLUDED

Appendix 1 – Customer Service Strategy

BACKGROUND PAPERS

None

CONTACT OFFICER

John Taylor, Head of Customer Service
01480 388119

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Customer Service Strategy

Introduction

I am pleased to introduce the Customer Service Strategy for Huntingdonshire District Council (HDC). It sets how we will deliver against the Council's Strategic Priority of ensuring we are a customer-focussed and service-led Council.

The strategy sets out what we are working towards, the principles that underpin our work and some of the initiatives and projects we are delivering to make the strategy a reality. The document also contains the measurements we will use to prove we have delivered what we promise.

I recognise what our customers want from us is changing. At the same time the public sector continues to face challenges. These factors combine to allow us to be bold and innovative when we think about delivering customer service and this strategy presents some key ideas to the Council. The use of techniques to make the Council more efficient, working with other organisations for the benefit of customers and making sure we invest in our staff are strong elements of the strategy. We also know that increasing use of the Council's website allows customers to serve themselves whenever and wherever is convenient to them – as well as allowing us to focus on customers who really need to call or come to see us. We also recognise that value for money is crucial and the strategy contains a number of elements that show how we will continue to deliver services but also achieve the Council's financial plans.

This is a strategy for all parts of the Council. I am sure you will join with me in ensuring that Huntingdonshire District Council delivers this strategy. It is a challenging future, full of opportunities, and I think we can move towards it with real confidence.



Councillor Darren Tysoe – Executive Councillor for Customer Services

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How this document works

The Customer Service Strategy helps all services to contribute towards achieving one of the Strategic Priorities in the Council's Corporate Plan - to 'ensure we are a customer focussed and service-led Council'. It will also help all support the two objectives that underpin this – 'to become more business-like and efficient in the way we deliver services' and, 'to ensure customer engagement drives service priorities and improvement'.

We have adopted a set of six principles and defined what they mean to us. We have also provided examples of the type of key initiatives and projects the Council will deliver to make this strategy become a reality.

We have also included some good practice examples from all services across the Council, these are intended to help us all see what can be achieved and trigger our own ideas so that we can all help contribute to the success of this strategy.

Finally, we have agreed three outcomes and set ourselves a number of targets that will enable us to measure how successful we are.

Strategic Priority: Ensure we are a customer focussed and service led Council

Objectives

Ensure customer engagement drives service priorities and improvement

Become more business-like and efficient in the way we deliver services

Principles

Listen to customers

Find out what customers want and design services that enable them to help themselves

Get it right first time

Remove waste and make sure every contact with customers has value
Bring the response as close as possible to the customer

Provide value for money service

Know the cost of providing good customer service
Increased self-service, focus on customers who need our help and use technology to do things better

Act and behave in the right way

Work in the best interest of customers
Treat customers with dignity and respect

Make it matter to staff

Act as 'One Council'
Retain, recruit and train the best people

Work with partners for the benefit of customers

If working together gives a better outcome, we do it

Corporate Initiatives and Projects

Improve & relaunch the Customer Feedback process
Update our service standards
Report on our performance
Survey customers to assess how well we are doing

Improve the way we work using trained Officers from across the Council - we call this LEAN

Deliver a mobile friendly website focussed on customer need
Use the Zero Based Budgeting exercise to balance cost and service delivery

Deliver on the Code of Conduct and our 7 Core Values

Customer Service features in all Service Plans
Deliver the Organisational Workforce Development plan
Communication – Key Issues, Team Meetings, news stories etc

Shared services with our strategic partners and others
Develop multi-agency customer service at Pathfinder House

Outcomes

Customers are satisfied with the services we have provided to them

Services we provide are value for money

Staff are motivated to do their job, feel valued at work and deliver their best for customers

Principle: Listen to customers

Delivering good customer service involves understanding what customers want, and delivering services to meet that need. There are two main ways of gathering customer views; this can be through consultation exercises or through customer feedback (see Appendix 1). It can also come from simple day to day interactions with customers. The important thing is to involve and listen to customers - and act on what we hear.

Members represent their local community , they guide the development of local policies, set service standards and priorities, and they ensure the needs and interests of residents are fed back to the Council.

Our Customer Feedback process helps us listen to customers and allows them to inform service provision. It helps to improve customer satisfaction by allowing us to find out when we are getting things right and when we need to fix problems and prevent them from reoccurring. Many customer satisfaction surveys are carried out across the Council and they will continue to be used to ensure that services are tailored to the needs of customers. The Council produces and publishes a quarterly performance report; this key document contains a number of measures of customer satisfaction and our performance against them.

Working with Young People

Feedback from sixth formers at a local school indicated that young people wanted to try non-traditional sports; evidence indicated that water sports, specifically canoeing was a popular request.

As part of the DASH project, Sport & Active Lifestyles Team (SALT) was successful in obtaining funding from Sport England to purchase eight inflatable kayaks, paddles and helmets. Working with Canoe England, sessions, led by SALT, were introduced for local sixth form students

Health Walks

The Huntingdonshire Health Walks scheme is part of the national initiative "Walking for Health" and is delivered by the SALT team and supported by Cambridgeshire County Council's Public Health Team. The scheme currently runs in five towns and provides people with the opportunity to participate in organised health walks with trained leaders and volunteers.

Feedback from participants indicated that new Health Walk routes were required. As a result nine new walks were introduced during 2014/15.

Refuse & Recycling

This issue causing the most dissatisfaction with the Waste Service is when garden waste bins are rejected for being contaminated with other waste. This led to high volumes of calls from customers to the Call Centre to find out why. In response the current garden waste contamination policy has been fundamentally reviewed and involves the following changes:

- Crews taking a photograph of contaminated waste in a bin to be able to evidence to the customer the reason for rejection
- If it is clear that small items have been dropped into the bin overnight then the crews will now remove such items and tie them to the emptied bin in a small recycling sack.
- Other small items that are not recyclable and that are not easy to remove will be left in the bin but the bin will be emptied.

So far, the new approach has significantly reduced the volume of calls to the Call Centre and reduced the number of complaints from customers.

Principle: Get it right first time

Getting it right first time means resolving enquiries when we engage with a customer. It involves reducing customer contact that could have been avoided – for example when someone calls us because we sent them a poorly worded letter. To achieve this we need to resolve problems at the first point of contact, identify and remove wasteful processes and use customer feedback to improve customer experience. Sometimes a potential outcome could be that more telephone enquiries are dealt with by the Call Centre on behalf of back office departments ensuring customers experience a more consistent service

Officers from across the Council are working on this, and we use a technique called LEAN to remove waste and focus on actions which add value.

Elections

Electoral registration forms are sent out annually to 75,000 households in the district. All households are required by law to provide a response and have the ability to complete the form online, by text, or by phone. Although not obligatory, most local authorities offer an online registration service as part of the annual canvass in preparing the new register of electors to be published on 1st December each year. The Council offers both an online and text option.

So far 30% of registration forms have been completed online, resulting in less postage costs, less time spent by Document Centre opening and sorting returned postal forms and the Elections team spends less time inputting data and scanning returned forms.

Some people still want to register by returning a paper form and still want to talk to someone on the phone – generally because they do not have easy access to the Internet; telephone queries tend to focus on helping those people for which a query with their application has arisen. The Call Centre identified these calls as quite high volume and worked with the Elections Team to identify what they could do to avoid passing calls onto them. Working together, the teams created a 'mind map' of potential customer queries. With support and training along with access to the right system, Call Centre advisers would be able to resolve many customer issues themselves.

During 2015 Call Centre advisers felt confident to support customers and cut down on the calls they were passing onto the Elections Team and saving the number of call backs to customers. The new approach resulted in a higher number of queries being resolved during the customer's first point of contact with the Council.

Call Centre

Whenever a customer contacts the Council with a Notification of Change request (e.g. moving into/out of a property) advisors can now update Council Tax details, organise delivery of refuse/recycling bins, provide bin collection dates and advise on electoral registration.

Advisors have been proactive in identifying the key issues that customers need to be aware of and now, instead of making a number of calls many of these issues can be dealt with in one call reducing avoidable contact and increasing the number of first time resolutions.

Planning Enquiries

Teams within the Call Centre and Planning Services have worked together to improve the service offered to customers. Call Centre advisors highlighted that they did not have enough knowledge or experience to resolve some of the Planning enquiries. As a result Development Management First Contact Officers (i.e. Planning Duty Officers) are now available to take these calls.

This has resulted in an increase in the number of enquiries being resolved at the first point of contact with the Council.

Principle: Provide value for money service

This means continuing to generate money saving ideas and encouraging everyone to come forward with suggestions to improve how we work. The Council's new website focuses on customers completing tasks online rather than on the phone or face to face and allows 24/7 access to services; it also provides a starting point for Services to develop more on-line services for customers.

Every year each service will be challenged to look at the service it provides, and ensure it offers value for money – this is Zero Based Budgeting, and this step is a key element of making sure value for money is part of our long term plan for service delivery.

Council website

Development of the Council's website involved looking at the website from a customer's perspective and a rethink of the customer experience. It found that content was difficult to understand, the website was not mobile friendly and the content structure was inappropriate for customers.

Research found that 75% of all customer transactions are now carried out online, the top 100 pages served 85% of customers and 60%+ of visits are now from smartphones and tablets.

The project aimed to bring value and benefits to customers whilst also creating additional value for the Council e.g. support the Council "doing more with less".

A new website has been produced that is fit for purpose and designed for mobiles and tablets.

One Leisure

One Leisure introduced a mobile booking app enabling users to book activities and get accurate information on class timetables and availability on their phone or tablet.

This has improved customer contact as the information is more accurate and the booking process is quicker. The number of calls to One Leisure Direct has reduced – although telephone booking is still available for those that need it.

The Council no longer prints off swimming or fitness class timetables reducing design and print costs.

Housing Benefits

Customers who claim Housing Benefit now submit over 96% of new applications online. This new way of working offers 24/7 access to the service and has also saved the Council money. It allows Officers in Housing Benefits to spend time helping those who need the most help in getting the benefits they are entitled to.

Principle: Act and behave in the right way

Customers must be treated with dignity and respect and we should always act in their best interests. This means being polite and thoughtful, keeping customers informed and ensuring their privacy is respected. We need to be patient and tolerant when we interact with customers, and if we have to provide an answer a customer doesn't want to hear, then we do it in the right way.

The Council's Code of Conduct and 7 Core Values have been prepared to help us shape our working environment and guide, explain and support our understanding of the standards and behaviours we are required to exhibit and what we can expect from others.

Members communicate with local residents and employees on a wide range of issues and they too have a role in representing the Council – they are a very visible 'shop window' for the Council.

Group Exercise Classes

Group Exercise Classes offers a wide range of sport and health related activities to promote a healthy population within the district. One of these is the Right Start group exercise class, which is aimed at older people requiring additional support to exercise and prefer a class setting rather than a gym environment.

Many participants have never exercised before or are returning to exercise after a medical condition. A key skill for the instructor is to alleviate any nervousness or confidence issues that participants may have.

Feedback from two customers illustrate that although we know that all customers place a high importance on being treated with dignity and respect; but when supporting people with a health or medical condition this is even more important.

"The instructor has helped me to achieve my goals; there is a strong sense of comradeship amongst the group, helped in many ways by the instructor's constant encouragement for members to work at their own level but also to try new exercises".

"I have nothing but praise for the instructor; she is encouraging but does not make you do anything you really are not happy with".

Parks & Open Space

Amphill Lifelong Learning, a charity working with adults with learning disabilities began visiting Paxton Pits Nature Reserve regularly over four years ago. Initially their visits were self-guided, without any input from the HDC Rangers. They would eat their lunches in their minibus, assuming that they wouldn't be able to eat their own food in the Visitors' Centre café. The Senior Ranger noticed this happening and invited them into the Visitors' Centre and tried to make them feel very welcome.

The Ranger then began to work with the group to design some structured, self-led educational activities for their weekly visits so that they could get more from the sessions. The teachers are now leading the sessions with minimal or no input from Rangers.

Recently the teachers from Amphill and the Senior Ranger organised an Inclusivity Day at Paxton Pits Nature Reserve specifically for organisations working with children and adults with special needs. The aim was to encourage other groups to visit the reserve and lead educational and fun activities in the same way that Amphill Lifelong Learning do. Working in partnership, HDC and the charity are now developing resources for all groups to use and hope that this will result in more special needs groups benefiting from using the Reserve.

Principle: Make it matter to staff

Our employees ensure we are a customer-focussed Council by providing customers with good service and by representing the Council in all our interactions with customers. We know engaged and motivated employees are more likely to provide good customer service so we are committed to recruiting, retaining and training the best employees. The Employee Opinion Survey will continue to be used to gain a picture of strengths and weaknesses to ensure the Council is a great place to work.

Our Workforce Development Strategy reinforces the need for the Council to have a capable, confident and committed workforce and helps to ensure we have a skilled and motivated team. Supplying training and reinforcing this through Personal Development Plans will ensure we maintain the skills we need.

Every service will have actions in their annual Service Plan to make the link between this strategy and the everyday work we do. We all serve customers, and we should all be clear how we contribute.

Equality Training

Following a training review a gap was identified in attendance on equality & diversity awareness sessions from employees within Operations.

The timing and length of existing training options were not convenient for employees working set shift patterns. There were up to 130 employees working within this area of the Council including refuse & recycling and grounds maintenance; providing one of the most high profile services to customers.

A one hour bite size equality & diversity training session was developed and delivered over a number of weeks to enable all employees the opportunity to understand some basic principles around equality and diversity and to raise awareness of their own actions and behaviours in the workplace.

Principle: Work with partners for the benefit of customers

Partnership working is an increasingly important way in which the Council can deliver more efficient and effective services to local residents.

Effective partnership working between organisations can lead to improved access to services, better communication between services, and an improved customer experience.

Put simply, if working with others delivers a better outcome for customers, then we do it.

Shared Services

HDC, South Cambridgeshire District Council and Cambridge City Council are now working in partnership to deliver Building Control, Legal Services and ICT Shared Services.

Shared Services is one of the ways the Council is aiming to reduce reliance on central government funding. The Council also recognises that moving forward it is likely to be a smaller and more streamlined organisation; it also needs to find significant savings.

This new model of working with partners presents a great opportunity for all three councils to save money and build resilience across their current services, which often contain highly specialised roles. It also provides the opportunity to improve services to customers, by ensuring a focus on seamless service delivery.

Anti-Social Behaviour

In April 2015, in response to increasing complaints from residents to both Huntingdonshire District Council and Cambridgeshire Constabulary, the Council introduced controls to minimise the impact of street drinking within Huntingdon Town Centre. The Public Space Protection Order, the first of its kind within Cambridgeshire, was introduced by the Council and the Police working together for the benefit of our residents and visitors. Initial feedback from local residents was very positive, and included comments like '... I wanted to thank you for the work you have done over the last few months in establishing and enforcing the Protection order. The impact on the neighbourhood has been dramatic..... and the atmosphere is much better.'

Pathfinder House (PFH)

The Council's commitment to work with a variety of public and voluntary partners is an opportunity to improve customer experience by extending the range of services on offer in one location. Our partners can complement the housing and benefit advice already on offer at PFH, specifically for vulnerable customers or those facing financial difficulties.

Collaborating with others in this way can reduce costs by transforming the way services are delivered. As the Council moves towards more digital interaction or self-service with customers the Council is forecasting that it will use the customer service centre space less over the coming years. It makes sense to work with other organisations to use this space and generate income for the Council.

The Council is currently working with the Citizens Advice Bureau, Department for Work & Pensions (Jobcentre Plus) and Rainbow Saver Anglia Credit Union and over the next 12-18 months these organisations should have dedicated space at the PFH customer service centre.

Measuring Success

This section sets out how the Council will measure achievement of the outcomes this strategy is expected to deliver. For each outcome, a set of measures are documented, along with the targets we are setting and details of when we'll be measuring performance.

Outcome: Customers are satisfied with the services we provide to them			
Measure	Target	Frequency	Comments
Call Centre telephone satisfaction rates	95%	Twice yearly	Existing measure/target
Customer service centre satisfaction rates	95%	Twice yearly	Existing measure/target
Waste Collection - % of residents satisfied with the overall service	TBA	Annual November	New measure
One Leisure – Net Promoter Score based on likelihood of recommending service	Continual improvement	Monthly	Existing - cross-section of 1,000 members
Website satisfaction	75%	Monthly	Existing measure/target
Housing Benefits - % of customers satisfied with the service provided	90%	Annual September	New measure
Total number of complaints received	TBA	Quarterly	New measure
% of complaints resolved at Stage one	TBA	Quarterly	New measure
% of complaints resolved at Stage two	TBA	Quarterly	New measure
Number of enquiries to Local Government Ombudsman	TBA	Annual	New measure

Outcome: Services we provide are value for money			
Measure	Target	Frequency	Comments
% of Services that are subject to a Zero Based Budget review	100%	Annual	The final results of reviews are agreed by Council in February each year.
Achievement of the Council's medium term financial strategy	100%	Annual	This is audited by an external organisation each year
Change in Band D Council Tax	0%	Annual	The Council is aiming to continue to freeze its Council Tax charge
Lean - number of business process reviews	TBA	Quarterly	New measure of ongoing reviews

Outcome: Staff are motivated to do their job, feel valued at work and deliver their best for customers			
Measure	Target	Frequency	Comments
I feel valued for the work I do	TBA	Annual	2015: 35% agree
I feel motivated at work	TBA	Annual	2015: 42% agree
I am proud when I tell others I am part of the Council	TBA	Annual	2015: 37% agree
I have the skills I need to do my job effectively	TBA	Annual	2015: 88% agree
I have the tools I need to do my job effectively	TBA	Annual	2015: 74% agree

Tell Us What You Think

We want to provide you with a good service, but you might want to suggest improvements, or you might want to compliment us on getting it right. Sometimes things do go wrong and you may want to complain or just tell us about your concerns.

Compliments

A compliment can be about a service, a team or a member of staff. We would like to hear about it if you have received excellent customer service for example, staff have been professional, clear and helpful explanations have been provided, or if you have been treated with friendliness and respect.

"Your staff member was very efficient and helpful and explained everything thoroughly to us. Thank you."

"I appreciate the communication skills of your staff. They explained everything clearly & easily. Thank you."

Compliments will be shared as good practice and in the training of new staff.

You can provide feedback online or telephone us 01480 388388 or talk to any of our staff.

Complaints

We want to hear if you have had a poor service; did not get a service at all; or you have been treated unfairly or unprofessionally. We encourage any customer who has a concern to first speak to a member of staff in the relevant service area. If the problem can be solved on the spot then there is no need for the issue to go through the formal complaints process. However if the complaint cannot be dealt with immediately, or you would like a formal response, you can request this via our website: www.huntingdonshire.gov.uk, by email: complaints@huntingdonshire.gov.uk, by phone: 01480 388388, or in person at one of our Customer Service Centres.

Complaints will be used to help us improve our services

The outcome from a Planning complaint will be used as part of a training session for planning officers to better understand the council's duties with respect to protected species.

The outcome from a waste collection complaint has resulted in greater consideration now being given to the particular circumstances for customer requests to move from sack to bin collections and will allow a more flexible interpretation of the Council's policy.

There are some situations that we wouldn't take through the complaints process, for example a single incident of a service failure such as one missed bin collection as we should be given the opportunity to put this right; or where there is a disagreement with the result of a process that has its own appeal process such as planning or benefit decisions and parking fines; or the conduct of a Councillor, these will be dealt with by the Monitoring Officer; and finally, some complaints are expressions of dissatisfaction with the Council or Government policy as opposed to the Council's failure to live up to service standards. The Council will do its best to explain the policy and the reasons for it.

We aim to:

- acknowledge your complaint within 5 working days;
- fully investigate and respond within 20 working days. If we are unable to meet this timescale we will write to you again to tell you what action we are taking and when you can expect a response.

Your complaint will be dealt with in confidence and will only be discussed with those who need to know. We will contact you by email or letter.

If however you are still unhappy, the complaint will be passed onto the next stage where it will be investigated by a senior officer or independent officer.

If you are still not satisfied, you have the right to take your complaint to the Local Government Ombudsman. The Ombudsman will not usually investigate a complaint until the Council has had an opportunity to investigate and answer it first.

We will monitor trends and performance in our handling of complaints and report to our Standards Committee on an annual basis.

**Public
Key Decision - Yes**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Corporate Fraud Workplan and Prosecution Policy

Meeting/Date: Corporate Governance Panel – 2 December 2015
Overview and Scrutiny (Economic Well-Being)
– 8 December 2015
Cabinet – 10 December 2015

Executive Portfolio: Executive Councillor for Customer Services

Report by: Benefits Manager

Ward(s) affected: All

Executive Summary:

This report sets out the workplan for the Corporate Fraud Team following the transfer of Housing Benefit fraud investigations to the Department for Work and Pensions (DWP). It details the Council's approach to fraud prevention and detection and sets out the main focus of the team's work. The accompanying Fraud Prosecution Policy has been amended to take account of this change of direction, and Cabinet should endorse these principles for Officers to act on.

The Fraud Working Group (a subset of the Corporate Governance Panel) has supported the work of the Fraud Team. Consideration was to be given to re-forming the Fraud Working Group once a workplan based around the new priorities for the team had been determined. Dealing with fraud effectively remains important, but it is felt an annual report presented to Corporate Governance Panel together with the Executive Councillor for Customer Services overseeing the on-going work of the team is an appropriate level of focus – especially as the smaller team is focussed on more limited areas of work within HDC.

Recommendation(s):

It is recommended that:

1. Corporate Governance Panel and Overview and Scrutiny provide any necessary feedback to Cabinet

It is also recommended Cabinet:

2. Consider the reports of CGP and O&S and approves the workplan
3. Approves the revised Prosecution Policy
4. Endorse the recommendation that monitoring of the delivery of the workplan is overseen by the Executive Councillor for Customer Services alongside annual reports to the Corporate Governance Panel.

1. WHAT IS THIS REPORT ABOUT?

- 1.1 This report sets out the proposed workplan for the Corporate Fraud Team in its broader remit now that Housing Benefit fraud is no longer the main focus of its work. The workplan takes account of the team having fewer resources, and identifies what areas of work currently present most risk to HDC and also refers to emerging fraud risks facing local authorities.
- 1.2 The Fraud Prosecution Policy has to be amended in light of Housing Benefit prosecutions no longer being carried out by HDC. It contains the process to be followed when dealing with any potential prosecution and the alternative actions that may be considered but also has regard to legislation that applies to specific service areas.
- 1.3 In addition, the report looks at whether the formation of a new Fraud Working Group should be considered to support the work of the Corporate Fraud Team as they continue to establish work priorities over the next few years.

2. BACKGROUND

- 2.1 In May 2015, the responsibility for investigating allegations of Housing Benefit fraud transferred to the DWP. Three Investigating Officers transferred to the DWP at the same time, leaving a smaller team at HDC comprising a Team Leader, one Investigating Officer and an Intelligence Officer.
- 2.2 Since then, the team has been completing the residual work left after the DWP transfer, including preparing a number of Housing Benefit cases for prosecution. In addition, HDC has been the lead Council in a CLG funded countywide initiative called the Cambridgeshire Anti-Fraud Network (CAFN).
- 2.3 This has been a period of transition for the team in establishing what areas of fraud to concentrate on now that the main focus is no longer Housing Benefit and determining the limits of the work it can deal with taking account of the fact that the service is very often demand led based on the number of allegations received.
- 2.4 The workplan has been developed around the types of fraud that currently form the majority of the work for the team as well as new and emerging threats, specifically:
 - Council Tax Support fraud
 - Council Tax discount fraud
 - Housing Tenancy fraud – subletting/register/rent deposit applications
 - Business Rates
 - Right To Buy
 - No Discourse to Public Funds

Plans for the future include working with service areas across the Council and other partners to determine the level of risk from fraud they face in order to see how the Corporate Fraud Team can work with them to reduce risk and investigate allegations of fraud.

- 2.5 Investigating different types of fraud requires the Fraud Prosecution Policy to be amended to include reference to the legislation used in prosecuting these new areas.

- 2.6 The Policy sets out the legislation and process that Investigating Officers must adhere to when considering what action to take following a fraud investigation. Although committing fraud is a crime, there are various tests and processes to go through before determining if prosecution is the appropriate outcome for the investigation.
- 2.7 The Policy refers to the Evidential and Public Interest Tests set out in the Code for Crown Prosecutors which need to be applied taking into account the individual facts of a case.
- 2.8 The Policy also sets out what needs to be considered when dealing with fraud against specific services, i.e. the appropriate legislation and disposal methods.
- 2.9 The Fraud Working Group was established to support the work of the original Fraud Team and help raise its profile across the Council. The smaller format of the Corporate Fraud Team means that they now have to focus on the biggest areas of risk to the Council through a combination of pro-active and reactive work and leading the work of the CAFN project. The team is still in a period of transition and is concentrating resources on building relationships with teams across the Council and partners to determine what support can be offered.

3. ANALYSIS

- 3.1 Despite several staff changes, the team's performance during 2015/16 shows that it continues to be a valuable asset in HDC's fight against fraud.
- 3.2 370 of the 442 referrals received between April and October 2015 were selected for investigation and to date 43 of these cases have been proved.
- 3.3 The value of the fraud discovered for services provided by HDC equates to £171,876, broken down into the following areas:

Type of fraud	Value of fraudulent overpayments
Council Tax Benefit	£ 10,217
Council Tax Support	£ 18,094
Council Tax Discounts	£ 17,992
Housing Benefit*	£125,573

- In addition, five social housing properties have been recovered to be re-allocated to families in genuine need.
- Council Tax fines totalling £2k have been given to 11 people fraudulently claiming a Single Person Discount.
- Another £29k of fraud was identified in DWP administered benefits.
- A total of 14 Housing Benefit prosecutions have taken place from the residual work left after the transfer of work to the DWP in May 2015.

* Although the team no longer investigate Housing Benefit fraud, the discrepancies found during the course of investigating Council Tax Support/Council Tax Discount fraud, often lead to an overpayment of Housing Benefit, hence the figures included above. Details of the fraud are passed on to the DWP for them to take action as appropriate.

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

4.1 Overview & Scrutiny will comment on the papers at its meeting of 2nd December

5. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED?

5.1 The Council will always be at risk of fraudulent activity but the work of the Corporate Fraud Team will help to reduce this risk by having robust processes in place to prevent, investigate and deal with fraudsters.

6. WHAT ACTIONS WILL BE TAKEN?

6.1 The workplan is already in place to some degree but can be amended to include any further areas of work identified during the Member approval process.

7. LINK TO THE CORPORATE PLAN

7.1 Strategic priority and objective: Ensuring that we are a customer focused and service led council.

8. LEGAL IMPLICATIONS

8.1 None

9. RESOURCE IMPLICATIONS

9.1 Costs of staff within the CFT are currently included within the Council's budget. The revised work activity is aiming to more effectively prevent, detect and recover any losses related to fraud.

10. OTHER IMPLICATIONS

10.1 None

11. REASONS FOR THE RECOMMENDED DECISIONS

11.1 The workplan will help HDC meet its requirements under the Council's Anti-Fraud and Corruption Strategy by protecting the Council from loss caused by fraudulent acts. The workplan sets out the areas of the work that the team will initially concentrate on but it will continue to work with service areas to develop an understanding of the risks they face and work with them as needed.

11.2 It is important for HDC to have a document setting out its approach to dealing with fraudulent activity - both as a deterrent and setting out the consequences of committing crime against the Council. The Fraud Prosecution Policy clearly shows that HDC will not tolerate fraud and that anyone found to be committing fraud could face criminal action or a financial penalty.

11.3 The Corporate Fraud Team's remit focuses on Council services most at risk from fraud and loss and although the team has been in its new format since May 2015, it is still establishing priorities for the future. The work of the Corporate Fraud Team is reported to the Corporate Governance Panel on an annual basis. In addition, ad hoc reports are presented during the year as necessary and the Portfolio Lead for Customer Service (Cllr Tysoe) continues

to oversee workload in this area. It is felt this is sufficient and that the formation of the Fraud Working Group would not add further value at this time.

12. LIST OF APPENDICES INCLUDED


Appendix 1 – Corporate Fraud Team Workplan 2015/17
Appendix 2 – Fraud Prosecution Policy

BACKGROUND PAPERS

HDC's Anti-Fraud and Corruption Strategy
TEICCAF's Protecting the English Public Purse 2015

If stated need to be made available for publication for Cabinet meetings.

CONTACT OFFICER

Amanda Burns/Benefits Manager
 01480 388122

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1. INTRODUCTION

- 1.1 Huntingdonshire District Council (HDC) aims to set and achieve the highest standards of service provision in all of its services. This is underpinned by the strategic objective in the Corporate Plan to:
- Ensure we are a customer focused and service led Council - we want to continue to deliver value for money services.
- 1.2 HDC is committed to actively safeguard public funds by preventing and detecting fraud and corruption. Maintaining high levels of probity, governance and ethics will ensure that HDC's resources can be focussed in providing services that matter to local residents.
- 1.3 HDC's commitment to dealing with fraud and error is demonstrated by having in place systems, resources and procedures designed to:
- limit the opportunities to commit fraudulent acts
 - enable such acts to be detected at the first opportunity
 - deal with investigations promptly, thoroughly, professionally and legally.
 - where appropriate use and publicise its sanction activity as a deterrent to future offending.
 - reduce the financial loss caused by fraudulent activity
- 1.4 To enable this, HDC retains a professional, fully trained Corporate Fraud Team (CFT). The work of this team is directly aligned to meet the priorities set out in the HDC's Anti-Fraud and Corruption Strategy approved by Members in June 2015.

2. RECENT DEVELOPMENTS AND BACKGROUND

- 2.1 The Fraud Team was originally established to combat benefit fraud but over recent years the remit of the Team has expanded considerably. The work of the Team has included investigations into all areas of services provided by HDC but in particular around Local Taxation and Housing but also matters relating to Employees, Elections, Planning and Environmental Health.
- 2.2 With the creation of the Single Fraud Investigation Service (SFIS) by the Government, all welfare benefit fraud, including Housing Benefit is now investigated by the Department for Work and Pensions (DWP).

- 2.3 From May 2015, with the transfer of three Investigating Officers to the DWP, the size and focus of the team has inevitably changed. It is important that a smaller team concentrates on preventing and investigating fraud that presents the highest risk to HDC. The retention of the CFT is against a national trend which has shown that nationally, less than half (45.7%) of councils have a corporate counter fraud team tackling non- benefit fraud. In London, 93.5 per cent of councils have a corporate fraud team. By comparison just 37.4 per cent of councils in the rest of the country have a corporate fraud team.
- 2.4 HDC was the lead authority for all of the Cambridgeshire Districts and a number of other partners in securing funding from DCLG to establish the Cambridgeshire Anti-Fraud Network (CAFN). The principle aim of the partnership has been the creation of a central data-sharing hub across Cambridgeshire to assist in the detection and investigation of tenancy fraud and other fraud identified/reported across the County.
- 2.5 Following the abolition of the Audit Commission in March 2015, The European Institute for Combatting Corruption and Fraud (TEICCAF) was formed to continue the counter-fraud work of the Audit Commission in supporting local authorities dealing with fraud and sharing information on trends in fraud detection, the dissemination of good practice and identifying current and emerging risk. *Protecting the English Public Purse 2015* was published earlier this year and has helped to form the focus of the CFT into the future, along with HDC's Anti-Fraud and Corruption Strategy.

3. WORK PRIORITIES FOR 2015/17

- 3.1 The team's substantive structure is currently:
- 1 Team Leader (TL)
 - 1 Investigating Officer (IO)
 - 1 Fraud Intelligence and Analyst Officer (AO)
- 3.2 Sifting of referrals: The AO will sift all reported fraud in line with current procedures and select those cases suitable for full investigation and those which can be dealt with in other ways. The sift will include an assessment of potential loss with those cases highlighted as producing larger or more immediate savings being prioritised.
- 3.3 Investigations: The IO will undertake investigations into all cases selected for full investigation.
- 3.4 Management: The TL will work to develop the CAFN project and continue working with partners to identify services at risk of fraud. The TL oversees all investigations, prepare files for disposal in line with the Fraud Prosecution Policy and produces reports for senior officers and Members.

3.5 The work priorities identified by the team are currently:

- Council Tax Discount Fraud
- Council Tax Support Fraud
- Housing Tenancy Fraud – subletting/register/rent deposit applications
- Business Rates
- Housing Benefit Matching Service referrals – initial sift and checks but this will change as new risks are identified.

Targets:

Council Tax Discount Fraud	15 penalties per annum 4 prosecutions per annum
Council Tax Support Fraud	5 penalties per annum
Housing Tenancy Fraud	8 properties recovered per annum

(These targets will be reviewed as the team becomes more established and works with other service areas.)

- 3.6 In addition, although the CFT no longer investigates Housing Benefit fraud, it has taken on the role of Single Point of Contact (SPoC) for dealing with enquiries received from the DWP in relation to Housing Benefit investigations in line with the requirements and deadlines set by the DWP.
- 3.7 The CFT is often called upon to provide expertise and mentoring for other enforcement services in collection of evidence and interview facilities. The CFT offers a wide variety of services including credit reference data, local intelligence, checking for previous convictions or even hands on interview specialism to other sections within the Council.
- 3.8 A number of new and emerging frauds have been identified by TEICCAF, some of which may affect HDC. These include Right To Buy (RTB) and No Recourse to Public Funds.
- 3.9 Proposed changes to legislation could mean that Housing Associations will become increasingly at risk from RTB fraud. In order to combat this, the CFT is working with Housing Association partners to establish whether their procedures for processing RTB applications are robust and how the CFT can help ensure that only genuine applications are accepted.
- 3.10 For securing the gateway to ensure that HDC services are only provided to people legitimately entitled to receive them, the CFT has purchased scanners that can identify whether documents such as passports, visas and driving licences are genuine.

- 3.11 The CFT will work with the HDC Audit Section and partners to determine whether there is a risk to HDC and take appropriate action.

4. PUBLICITY

- 4.1 The CFT encourages allegations of fraud to be reported to HDC through the following:
- a 24-hour telephone line (automated voicemail system) that is checked daily
 - a further phone line manned during office hours
 - an e-mail account linked directly to the CFT
 - on-line referral forms on the HDC website
 - Cambridgeshire Tenancy Fraud Forum/CAFN website with on-line referral forms
 - at any of the Council's offices or in writing
- 4.2 Prosecutions are regularly publicised in the local press as both a deterrent to prospective fraudsters and as a way of encouraging further referrals.



Fraud Prosecution Policy

1. Introduction

- 1.1 Huntingdonshire District Council (the Council) is committed to providing good quality services delivered by people who put the customer first and provide value for money services in accordance with its corporate plan.
- 1.2 The Council also has a duty to protect from abuse the public funds, resources and assets it administers and be aware of the risks within its financial and delivery systems for fraud, error or other irregularity. In carrying out this duty, the authority may use information provided to it for the purpose of the prevention and detection of fraud. It may also share this information with other bodies administering public funds solely for these purposes.
- 1.3 The Council will wherever possible incorporate effective internal controls to minimise the risk of fraud occurring. However despite this, fraud can be perpetrated and appropriate procedures need to be in place.
- 1.4 The Council understands that some people (including customers, staff, elected Members or contractors) may attempt to obtain financial or some other advantage from Council services to which they are not entitled and sometimes this is done deliberately. Where an investigation has revealed this to be the case the Council will consider the individual circumstances of the case and where appropriate will consider whether a criminal prosecution, or alternative disposal such as financial penalties or caution, should be applied.
- 1.5 This policy outlines the procedures to be followed with regard to the prosecution of people who have committed fraud. It will serve as a policy statement that is supported by Members of the Council who have endorsed the Anti-Fraud and Corruption Strategy, and as an operational guide for Investigating Officers.
- 1.6 A range of sanctions are available to the Council. These include disciplinary action, civil proceedings, criminal proceedings, official cautions and penalties. In appropriate cases we will take more than one form of action. For example, where staff have defrauded the Council we may take disciplinary, prosecution and civil recovery action.
- 1.7 The Council will always have regard to the circumstances of the individual it is dealing with when considering any case of alleged fraud. Every case will be treated on its own merits and it will abide with its duties contained in the Equality Act 2010. The council will, however, have regard to any extenuating and relevant circumstances of the individual including age, disability, learning or language difficulties which may have contributed to the alleged offending.
- 1.8 The term Sanction refers to any penalty or criminal prosecution that can be imposed by the council, and allowed by legislation, where offending contrary to any of the following appears, in the Councils opinion, to have occurred:
 - Theft Acts 1968/ 1978 (TA)
 - Forgery and Counterfeiting Act 1987 (FCA)
 - Computer Misuse Act 1990 (CMA)
 - Local Government Finance Act 1992 (LFGA)
 - Data Protection Act 1998 (DPA)

- Identity Card Act 2006 (ICA)
- Fraud Act 2006 (FA)
- The Bribery Act 2010 (TBA)
- Welfare Reform Act 2012 (WRA)
- The Prevention of Social Housing Fraud Act 2013. (PSHFA)
- The Council Tax Reduction Scheme (Fraud & Enforcement) England 2013

2. The Policy

- 2.1 All investigations conducted by the Council must adhere, at all times, to the requirements of the Police and Criminal Evidence Act 1984, the Criminal Procedures and Investigations Act 1996, Human Rights Act, Regulatory Investigatory Powers Act 2000 and the relevant primary legislation listed in 1.8. All evidence gathering will comply with the Data Protection Act 1998.
- 2.2 Each case is unique and must be considered on its own facts and merits. Investigators must be fair, independent and objective. They must not let any political or personal views about ethnic or national origin, sex, religious beliefs, or the sexual orientation of the suspect, victim or witness influence their decisions. They must not be affected by improper or undue pressure from any source.
- 2.3 It is the duty of the Council to make sure that the right person is prosecuted for the right offence. In doing so, the Council must always act in the interests of justice and not solely for the purpose of obtaining a conviction.
- 2.4 Where necessary the Council will work in co-operation with other organisations such as the Police, Department for Work and Pensions, Home Office, Her Majesty's Revenue and Customs, other Local Authorities, Registered Social Landlords and departments within Huntingdonshire District Council.
- 2.5 Where any case is to be considered for prosecution or a penalty the Code for Crown Prosecutors requires that every case is considered fairly and objectively and that principles around the standard of evidence and the public interest are considered and that only where these tests are passed should a case be considered for prosecution

3. The Evidential Test

- 3.1 The Evidential Test must be applied in all cases regardless of the method of sanction chosen.
- 3.2 The Code for Crown Prosecutors, revised in January 2013, lays out how this test must be applied. Prosecutors must be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. They must consider what the defence case may be, and how it is likely to affect the prospects of conviction. A case which does not pass the evidential stage must not proceed, no matter how serious or sensitive it may be.

4. The Public Interest Test

- 4.1 Where there is sufficient evidence to justify a prosecution or to offer an out-of-court disposal, prosecutors must go on to consider whether a prosecution is required in the public interest.
- 4.2 The Code for Crown Prosecutors lays out the public interest factors which can increase the need to prosecute or may suggest an alternative course of action. The factors will vary from case to

case. Not all the factors will apply to each case and there is no obligation to restrict consideration to the factors listed. In making a decision to prosecute, all available information must be carefully considered.

- 4.3 The Council's officers will refer to the latest Crown Prosecution Service guidance and Best Practice when considering the public interest test.
- 4.4 The more serious the offence, the more likely it is that prosecution will be required in the public interest.
- 4.5 Aggravating and mitigating factors will be taken into consideration when deciding on the appropriate sanction.

5. Officer Fraud and Corruption.

- 5.1 In all cases of fraud, theft, financial misconduct, serious and intentional breach of financial regulations and corruption committed by officers we will seek disciplinary action. The normal recommendation would be "gross Misconduct".
- 5.2 Where a financial loss has been identified the Council will always seek to recover this loss through civil or criminal process.
- 5.3 Where appropriate, we will refer cases to the relevant prosecuting authority for criminal prosecution.

6. Tenancy Fraud

- 6.1 The Council's Corporate Fraud Team support the work of the Council's Housing Needs and Options Team and registered Social Landlords and will investigate suspicions of Tenancy Fraud.
- 6.2 This includes:
 - Unauthorised sub-letting
 - Abandonment
 - False succession applications
 - Right to buy
 - General Tenancy breaches
- 6.3 In all cases of tenancy fraud the Council will seek repossession of the property and recovery of any financial losses. The Council's view is that one property lost to fraud is one less property available to use for genuine applicants.
- 6.4 Tenancy Fraud will also be considered for criminal prosecution. The factors that will affect our decision to prosecute will be based on the evidential and public interest test.
- 6.5 The Prevention of Social Housing Fraud Act is used to prosecute offenders.

7. Council Tax Support

- 7.1 The legislation governing the use of a financial penalty as an alternative to prosecution where a person has fraudulently claimed Council Tax Support is contained in section 14C of the Local

Government Finance Act 1992. The conditions by which a penalty might be used are described in regulation 11 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013.

- 7.2 Penalties may be offered as an alternative to prosecution when a fraudulent claim has caused excess Council Tax Support to be awarded or could have caused excess Council Tax Support to be awarded.
- 7.3 In accordance with the legislation a penalty offered as an alternative to prosecution will be a minimum of £100.00 or 50% of the fraudulent excess Council Tax Support claimed by the offender (rounded down to the nearest penny) whichever figure is greater. A penalty should not exceed £1000.00. A person does not have to accept the penalty, however if they refuse consideration should be taken depending on the individual merits of the case and the public interest test to prosecute.

8. Single Person Discount

- 8.1 In all cases of this type of fraud the discount will be recovered and depending on the individual merits of each case a £70.00 per year penalty may be applied or the case may be considered for prosecution.

9. Other Fraud

- 9.1 In the event of “other Frauds” against the Council, not specifically mentioned above, the Council will also consider criminal prosecution. The factors that will affect our decision to prosecute will be based on the evidential and the public interest test. This will also include cases of attempted fraud i.e. false applications for services.
- 9.2 In cases where the Council suffers a financial loss, we will always seek recovery.
- 9.3 Where an organisation is involved in the fraud, the Council will also make referrals to the relevant governing body, i.e. Charities Commission, Registrar of Companies, Law Society.
- 9.4 For the purpose of this policy “Other fraud” includes, but is not limited to: Council Tax discounts, Business Rates, Renovation Grants, and any other areas of risk and fraud identified by the Council.

10. Warning letters

- 10.1 Encouraging people who use the Councils services to act honestly at all times should be paramount to any policy that considers criminal/civil penalties for those people that fail in their responsibilities.
- 10.2 In any cases where a minor failure/offence has occurred or there are serious mitigating circumstances, or even where to bring action might put the Council at risk of disrepute, a warning letter can be issued to a person to remind them of their duty/ responsibilities and the implications of a future failure to comply with Council policies/ procedures or relevant legislation.
- 10.3 Such a letter would not be recorded as a criminal disposal but would be kept on record for reference if further matters come to light about the same person in future.

11. Publicity

- 11.1 It is the Council's intention to positively promote this policy as well as the outcome of any prosecutions, which will deter others from fraudulent activity.

Public
Key Decision – Yes

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: Procurement Policy

Meeting/Date: O&S Economic Well-being, 8 December 2015
Cabinet, 10 December 2015

Executive Portfolio: Councillor J A Gray (Resources)

Report by: Procurement Manager

Ward(s) affected: All

Executive Summary:

The purpose of this report is to seek approval for the Procurement Policy. The Procurement Policy outlines how the procurement function supports the Corporate Plan and Council's objectives, whilst minimising risks and seeking value for money.

The Policy describes how the Council will manage procurement risk, the overarching EU principles, our approach to delivering value for money, helping local businesses compete for public spend and the performance and governance of procurement.

The Policy provides for the structure and organisation of procurement and creates a foundation to develop detail plans and objectives for procurement.

Recommendation for Overview & Scrutiny:

Overview and Scrutiny are invited to consider the Procurement Policy at Appendix 1 and provide comments to Cabinet.

Recommendation for Cabinet:

Cabinet are asked to approve the Procurement Policy at Appendix 1.

1. PURPOSE

- 1.1 The purpose of this report is to seek approval for the Procurement Policy attached at Appendix 1.

2. BACKGROUND

- 2.1 Effective and efficient procurement supports the Corporate Plan through contributing to the best use of resources, assisting local businesses and, whilst operating in a regulated environment, minimising any attendant legal or reputational risks associated with non-compliance. The Procurement Policy sets out the operation of a procurement function in high level terms.

- 2.2 The Policy provides a definition of procurement; outlines the principal risks; lists the EU procurement principles; outlines how to improve value from procurement; engage with local businesses; summarizes performance targets, and procurement governance.

- 2.3 The Policy is underpinned by:

- the Code of Procurement which provides the regulatory and process necessary for compliance. This was approved by Council in May 2015.
- guidance for staff undertaking procurements in the form of written protocols, template documents, targeted training and ad-hoc advice. This is updated as needed.

3. SUMMARY OF THE POLICY

Definition

The acquisition of goods, services and works is defined and the scope of the organisations involved.

Risk Management

The Policy identifies the principle risks attached to procurement and how we ameliorate those risks.

Value for Money

Value for money is defined as fundamental to procurement and its basic guises are named.

Principles

All public procurement is subject to EU Treaty principles and these are listed.

Procurement Policy

The methods employed to deliver value are listed.

Business Engagement

Steps to support businesses in finding and competing for public procurement opportunities are outlined.

Performance Management

The basic performance and savings targets are listed.

Resources

The mechanism used to match process to cost and therefore, minimise the resource expended is presented.

Governance

The basic governance measures are explained.

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

- 4.1 To be completed after Overview & Scrutiny (Economic Well-Being) – 8th December 2015.

5. KEY IMPACTS/RISKS

- 5.1 The key impact of the introduction of the Policy will be to support the pursuit of Value for Money through a structured approach to procurement with clearly identified objectives and constraints.

The risk of not having a policy is the absence of a fundamental definition of the role of procurement and a starting point for the development of a Procurement Business Plan.

6. LINK TO THE CORPORATE PLAN

- 6.1 The Policy will support the achievement of the Corporate Plan requirement of “becoming more business-like and efficient in the way we deliver services”.

7. CONSULTATION

- 7.1 None

8. LEGAL IMPLICATIONS

- 8.1 There are no direct legal implications. Future legislative change may, however, effect the Policy.

9. RESOURCE IMPLICATIONS

- 9.1 The Policy itself will not have any direct resource implications. However, the operation of the Policy:
- will support the achievement of savings, cost avoidance and additional income.
 - may lead to proposed changes in process and systems that could in future have resource implications. Such proposals would be subject to the approval of a suitable business case.

10 REASONS FOR THE RECOMMENDED DECISIONS

- 10.1 The Policy is the keystone to the operation and function of procurement. It will underpin the development of more detailed objectives and targets in the form of a procurement business plan

11. LIST OF APPENDICES INCLUDED

Appendix 1 – Procurement Policy

CONTACT OFFICER

Nigel Arkle Procurement Manager

☎ (01480) 388104

Huntingdonshire District Council

PROCUREMENT

Policy 2015

Date Approved: xx/xx/2015

Review Date: xx/xx/2017

Version 7

Definition

The Council defines “procurement” as the process used to acquire goods, services or works and the letting of concessions. The acquisition may be from external providers such as contractors, third sector suppliers (voluntary organisations) or other public sector bodies.

Risk Management

Operating in a regulated environment there are risks to reputation and legal sanctions, including fines and litigation costs, resulting from poor procurement practice as well as business impacts due to inadequate quality, performance or delivery. Whilst responsibility for procurement resides in each Council service area, a Procurement Manager is established in the Resources Service to assist service areas with their procurement responsibilities and to provide training to ensure knowledge of compliant process and good practice.

Value for Money

Value for Money is at the heart of how the Council delivers its services; regardless of whether these are front-line or back-office. Effective procurement seeks to deliver value for money through lower whole life costs, cashable savings, cost avoidance and minimising the overhead required.

Fundamental Principles

All procurement processes will adhere to the EU procurement principles (Treaty of Rome 1957) of:

- Openness and transparency.
- Equal treatment of all suppliers.
- Proportionality; procurement processes will be proportionate to the risk and value of the requirement.
- Non-discrimination on the basis of EU member state.

Procurement Policy

To deliver value and savings through:

- compliant, competitive processes;
- adoption of innovative methods;
- simplified and streamlined documents and procedures;
- exploiting opportunities for joint working;
- improving commercial and market knowledge; and
- supporting local business participation.

Public and Business Engagement Considerations

- The Council's economic development team will be consulted to ensure that local business organisations and their members are aware of national and Council procurement policy and practice.
- The Council will publish a pipeline of forthcoming requirements to enhance local business engagement.

Performance Management

Savings targets are set and monitored by the Head of Resources. The key targets are:

- Zero legal challenges through compliant effective processes;
- Savings, cost avoidance or additional revenue of £50,000 per year;
- Delivery to relevant staff of up to 12 training sessions per year; and
- Engagement with local business through 2 events per year.

Resources

Annually reviewed financial thresholds determine the type of process required to ensure the appropriate level of effort for routine purchases.

Threshold Values	Process
Up to £5,000	A single written estimate or offers
£5,000 up to £25,000	Three written estimates or offers
£25,000 to £75,000	Three formal written quotes or offers
£75,000 to EU Threshold	Competitive Tenders
Over EU Threshold and above	EU compliant process

The resource implications (including Legal and Finance) for acquisitions with identified risk, complexity or high value (>£75k) are considered case by case. This contributes to deciding the most effective procurement process for that requirement.

Governance

The Council will have regard to all statutory and local procurement regulations, including the requirements of the Councils Constitution and relevant policies. The Code of Procurement will be updated to ensure that it is in line with prevailing legislation and Procurement Policy.

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**Public
Key Decision – No**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	Reserves Review
Meeting/Date:	Overview & Scrutiny (Economic Well-Being) Panel – 8 th December 2015 Cabinet – 10 th December 2015
Executive Portfolio:	Executive Councillor for Resources: Jonathan Gray
Report by:	Head of Resources: Clive Mason
Ward(s) affected:	All

Executive Summary:

The main purpose of this review is to establish a Reserves Strategy (see Appendix 1) to provide a framework through which the Council will be able to effectively manage and govern its use of Reserves.

At the end of 2014/15 the Council had nearly £25.0m in usable revenue reserves (forecast to increase to £26.8m by the end of 2015/16) and £4.0m in capital reserves.

With the:

- Pending introduction of the Commercial Investment Strategy, where the use of in-house funds (reserves) will negate the need to externally borrow and therefore increase the revenue yield,
- Near completion of the Zero Based Budgeting programme, with Tranches 2 and 3's expecting to generate savings of £4.1m; this will assist in meeting 50% of the £8.2m savings required as shown in the "Plan on a Page". This will at least negate the need for the Council to use General Fund Balances to support the Medium Term Financial Strategy (MTFS), and the,
- Continuation of the government's austerity programme,

it is anticipated that the Councils reserves will become an ever more strategic and scarce resource. Consequently, a clear strategy stating the principles for the Councils reserves and appropriate governance arrangements is essential for the effective management of the Councils MTFS and future financial sustainability.

Resources

The Strategy itself will not have any direct financial or legal implications. However, the operation of the Strategy will seek to ensure that Reserves are operated in an open and transparent way.

Recommendation(s):

That Overview and Scrutiny (Economic Well-Being) Panel review, note and comment to Cabinet in respect of the Reserves Strategy (**Appendix 1**).

That Cabinet approves the Reserves Strategy (**Appendix 1**), specifically endorsing:

1. A minimum level of Reserves at 15% of the Councils “Net Expenditure”.
2. The governance arrangements pertaining to each reserve, specifically the ring-fencing of capital receipts that are generated from either “general service activity” or from the “Commercial Investment Strategy”.

1. WHAT IS THIS REPORT ABOUT?

- 1.1 Seeking approval for a Reserves Strategy (**Appendix 1**) and associated governance arrangements that will allow the Council to effectively manage its reserves in a more commercial environment.

2. BACKGROUND

- 2.1 Members will recall, as reported to Council in February 2015, that over the medium term the Council faces considerable “revenue” financial challenges. Currently the Medium Term Financial Strategy (MTFS) is showing a revenue gap of £2.4m by 2019/20 and a general reduction in its reserves to £3.0m. However, as shown on the “Plan on a Page” (Appendix 2) if, as the Council is aiming to do, it removes its reliance on the use of Reserves and New Homes Bonus, the funding gap is actually £8.2m.

- 2.2 One of the key elements of the “Plan-on-a-Page” is Zero Based Budgeting; as highlighted elsewhere on the agenda, the total Tranche 2 and 3 savings are £4.1m, consequently:

- i. this will have reduced the aforementioned funding gap from £8.2m to £4.1m.
- ii. there will not be any expected draw-down in General Fund Balances by the end of the MTFS period.

- 2.3 As well as considering 2.2 (ii) above, but also that the Council:

- has a track record of providing services for less than the approved budget, there is therefore a possibility that the General Fund Balance may continue to increase. Indeed, the September 2015 forecast (as reported to Cabinet in November) is showing an increase of £0.5m to £9.8m by the end of March 2016. In such a scenario, it is necessary that the Council has in place a strategy that clearly defines the operation of its Reserves (this Strategy is attached at Appendix 1), and
- is about to embark on an ambitious Commercial Investment Strategy that will require the use of significant reserves to provide an ongoing revenue stream.

The Councils reserves are expected to become an ever more significant strategic resource that will require active management and governance to ensure medium financial sustainability.

3. SUMMARY PROPOSALS WITHIN THE STRATEGY

3.1 Principles for Maintaining Reserves

There are four principles that the Council will adhere to in the operation of Reserves, this include:

- Risk
- Prudential Financial Management
- Medium-Term Financial Planning
- Funding Source of Last Resort

3.2 Level of Reserves

In January 2015, the Cabinet agreed that the minimum level of General Fund Reserves should be £3.0m. However, as the Council is expecting to have a reducing, or near static, Net Expenditure over the forthcoming years it would be more practical to have a level of reserves that was a percentage of any years' "Net Expenditure". For 2015/16, the £3.0m equated to marginally over 15% of the Net Expenditure, it is therefore proposed that 15% is set as the minimum level of reserves.

3.3 Governance

The management of reserves has to be transparent so all stakeholders can see how they are being managed. With regard to each type of reserve, the following is proposed:

- **General Fund Balance**

Proposals for the application of forecast service under or over spends against the General Fund Balance will be reported to Cabinet on a quarterly basis. Cabinet will confirm if they accept the reported forecasts. If however, if there is a need for a specific contribution to/from the General Fund Balance outside of routine service spend this will only be approved by Cabinet.

- **Earmarked Reserves**

Earmarked Reserves will be established or deleted in line with the principles for reserves noted at 3.1. However, there will be predetermined controls around Earmarked Reserves as follows:

- The Section 151 officer will be able to create reserves, following consultation with the Executive Portfolio Holder for Resources (with retrospective reporting to Cabinet).
- Earmarked Reserves will only be able to be removed with the agreement of Cabinet.
- Contributions to/from Earmarked Reserves will:
 - either be in line with statutory requirements or service need, and
 - only be made when agreed with the Section 151 officer.

- **Capital Receipts Reserve**

The Council will receive capital receipts as a consequence of the sale of capital assets that support either General service activity or the Commercial Investment Strategy.

Considering that assets that support general service activity have, primarily, been financed without external borrowing it is fair to say that in the interests of equity that such assets should finance either new future capital spend of a similar nature or reduce the Councils internal debt burden. In contrast, those assets that have been acquired as part of the Commercial Investment Strategy will have been financed from a mix of either direct revenue financing or external borrowing. It is therefore considered that when assets are sold that the associated capital receipt is ringfenced so if a capital receipt results from the sale of an asset from:

- general service activity; then the related capital receipt is applied to acquire/enhance other general service activity assets or pay down related debt.
- the Commercial Investment Strategy, then the related capital receipt is applied to acquire/enhance other CIS assets or pay down CIS related debt.

Where it is considered that capital receipts should pass over the ringfence, this will only occur when approved by Cabinet.

- **Capital Grants Unapplied Reserves**

This reserve will only hold capital grants that will have been acquired by the Council for a specific purpose. The use of these grants will be in line with prescribed grant regulations/conditions.

4. COMMENTS OF OVERVIEW & SCRUTINY PANEL

- 4.1 Comments from the Overview & Scrutiny (Economic Well-Being) Panel to be held on the 8th November will be verbally updated at Cabinet

5. KEY IMPACTS/RISKS?

- 5.1 The key impact of the introduction of the Strategy will be to allow the Council to be more transparent in the operation of its Reserves; especially as Reserves are expected to be maintained at a relatively constant level following the Zero Based Budgeting process and their practical application to support the Commercial Investment Strategy.

6. LINK TO THE CORPORATE PLAN

- 6.1 The Strategy will support the achievement of the Corporate Plan requirement of “Ensuring we are a customer focused and service led council” by “becoming more business-like and efficient in the way we deliver services”.

7. CONSULTATION

- 7.1 None

8. LEGAL IMPLICATIONS

- 8.1 There are no direct legal implications arising from this report.

9. RESOURCE IMPLICATIONS

- 9.1 The Strategy itself will not have any direct resource implications. However, the operation of the Strategy will support the governance framework around the management of reserves as the Council moves into a more commercial operating environment.

10 REASONS FOR THE RECOMMENDED DECISIONS

- 10.1 To put in place a “fit for purpose” approach to the management of the Council Reserves that support the MTFs and the CIS. This will then in turn assist the

Council in generating additional revenue income through the development of a commercial asset portfolio or supporting the development of new or enhance service related assets.

11. LIST OF APPENDICES INCLUDED

Appendix 1 – Reserves Strategy.

Appendix 2 – Plan on a Page.

BACKGROUND PAPERS

Held with Resources.

CONTACT OFFICER

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Huntingdonshire District Council

RESERVES STRATEGY

2015

Date Approved: xx/xx/2015

Review Date: xx/xx/2017

Version 1

Definition

Reserves within local government are split between:

- **Usable**
Usable reserves are those that represent “real” cash and can be used to directly support services or the development of assets.
- General Fund Balance** The General Fund is the statutory fund into which all receipts of a Council are required to be paid and all liabilities are to be met (subject to statutory override).

The General Fund Balance is therefore the net surplus of the Council's general resources at the end of any financial year.
- Earmarked Reserves** These are reserves held for a defined purpose.

However, they do represent immediately available resources and are therefore considered as part of the wider General Fund Balance.
- Capital Receipts Reserve** This reserve holds the proceeds from the disposal of land or other (capital) assets which are restricted by statute from being used other than to fund new capital expenditure (or to be set aside to finance historical capital expenditure).
- Capital Grants Unapplied Reserve** This reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.
- **Unusable**
Unusable reserves are “technical accounting” reserves that support the Council's balance sheet. These reserves can involve contributions of real cash but this is mainly to support capital related income or expenditure. As contributions to /from these reserves are strictly controlled by statutory regulation they will not be addressed within this strategy.

Principles for Maintaining Reserves

- **Risk**
Reserves will be maintained based upon the risks that the Council faces and its plans for the medium-term. They will be viewed as an effective means by which the Council can address one-off costs of transformation, future local and national funding & policy, environmental impacts and unforeseen service pressures.

- **Prudential Financial Management**
Reserves are to be an essential part of the Councils prudential financial management framework, including its ongoing ability to meet the statutory requirement for a balanced budget.
- **Medium-Term Financial Planning**
Reserves are built up over the long term and their level and use will be a key part of effective medium-term financial planning.
- **Funding Source of Last Resort**
Although reserves can be viewed as an effective means by which to support the contraction in public expenditure. The Council will view its use of Reserves as the “funding source of last resort” by which the Council will deliver the progressive reductions in government support over the medium term.

Level of Reserves

- **General Fund Balance**
There is no statutory minimum level of reserves that the Council has to have available in the General Fund.

In January 2015, Cabinet confirmed that the minimum level of the General Fund Balance should be £3.0m; this represents 15% of the 2015/16 “Budget Requirement”. This percentage is therefore the minimum level that the Council will maintain relative to the Councils “Budget Requirement”.
- **Earmarked Reserves**
There is no minimum or maximum level for Earmarked Reserves, what will be held is based on prudent estimates of future need.
- **Capital Receipts Reserve/Capital Grants Unapplied Reserve**
These reserves will be reactive to what capital receipts or grants have been received in the year and remain uncommitted at the year-end.

Governance of:

- **the General Fund Balance**
Estimated contributions to/from the General Fund Balance will be reported and approved by Council when the budget is set in the February prior to the start of the financial year.

Variations in service spend throughout the year will either a positive or negative impact on the forecast General Fund Balance. This will be actively monitored as part of the Councils routine budget monitoring process with appropriate reporting of forecast General Fund Balances.

Where there are to be specific contributions to/from the General Fund Balance outside of routine service spend, these will only be made when approved by Cabinet.

➤ **Earmarked Reserves**

New earmarked reserves will be established and old reserves deleted in line with the principles noted above. The Section 151 officer will be able to create reserves, following consultation with the Executive Portfolio Holder for Resources (with retrospective reporting to Cabinet). However, Earmarked Reserves will only be able to be removed with the agreement of Cabinet.

Contributions to/from Earmarked Reserves will:

- either be in line with statutory requirements or service need
- be only be made when agreed with the Section 151 officer.

➤ **Capital Receipts Reserve**

The Council will primarily receive capital receipts as a consequence of the sale of capital assets that support either:

- General service activity, or the
- Commercial Investment Strategy

General service activity

Where capital receipts are generated following the sale of assets that previously supported general service activity, these receipts will only be applied for similar such activity.

The first call for the application of such receipts will be to finance in-year capital expenditure, this will have the effect of minimising the Councils statutory obligations in respect of Minimum Revenue Provision.

The only time that such capital receipts can be applied to the Commercial Investment Strategy is following specific approval by Cabinet.

Commercial Investment Strategy

Where capital receipts are generated following the sale of assets that previously were purchased within the auspices of the Commercial Investment Strategy, these receipts will only be applied against other investments permitted within the Commercial Investment Strategy. The only time that such capital receipts can be applied to General service activity is following specific approval by Cabinet.

➤ **Capital Grants Unapplied Reserve**

This reserve will only hold capital grants that will have been acquired by the Council for a specific purpose. The use of these grants will be in line with prescribed grant regulations/conditions.

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VISION

To improve the quality of life for the people of Huntingdonshire and work towards sustainable economic growth whilst providing value for money services

STRATEGIC PRIORITIES

A strong local economy

Enabling sustainable growth

Working with our communities

Ensuring we are customer focused and service led council

CURRENT SERVICES

Customer Service Strategy / Service Standards

Lean

Shared Services

Zero Basing

Income Generation

Facing the Future

CLICK arrow for details

CLICK arrow for details

CLICK arrow for details

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FINANCIAL

Financial ambitions

To reduce the Council's reliance on Central Government Funding and in so doing create a sustainable financial platform

Approved MTFs

% cut from MTFs

Modified budget

	2015/16	2016/17	2017/18	2018/19	2019/20
Approved MTFs	£18.881m	£19.870m	£20.671m	£21.259m	£21.721m
% cut from MTFs	0% (-£0m)	19.2% (-£3.8m)	28.6% (-£5.9m)	35.1% (-£7.5m)	37.6% (-£8.2m)
Modified budget	£18.881m	£16.059m	£14.750m	£13.805m	£13.553m

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Public
Key Decision – No

HUNTINGDONSHIRE DISTRICT COUNCIL

Title:	Commercial Investment Strategy: Business Plan
Meeting/Date:	Overview & Scrutiny Panel (Economic Well-Being) – 8 th December 2015 Cabinet – 10 th December 2015
Executive Portfolio:	Resources – Cllr Jonathan A Gray
Report by:	Head of Resources – Clive Mason
Ward(s) affected:	All Wards

Executive Summary:

The Government's austerity programme continues and the Council is aiming to still provide cost effective services to its local population. However, with the potential for increased cuts in Government funding, the Council is endeavouring to meet this challenge by undertaking a number of innovative approaches to service delivery. One of the key approaches to supporting Council services is the development of new sources of income generation and the introduction of the Commercial Investment Strategy (CIS) is such an approach. The CIS itself was approved in October 2015; it is now necessary to approve the CIS Business Plan (BP) (**Appendix 2**). Although the CIS covers a period of 9 years and has three distinct phases of development, the Business Plan being recommended here will be for Phase 1 and cover the period from now until the 31st March 2019.

The Council currently has existing investment assets (property) totalling £20.9m and it is proposing to invest a further £50.0m in commercial assets. The primary aim of the CIS is to generate a future income stream with a secondary objective of capital growth. After the payment of £2.2m in asset completion costs, the Councils total commercial asset portfolio at the end of the BP period will be £68.7m and split as follows:

Type 1: Existing Assets:	£20.9m
Type 2 and 3: Investment Fund and Property Shares:	£14.7m
Type 4: Direct Assets (Local Acquisitions):	£18.9m
Type 4: Direct Assets (National Acquisitions):	£14.2m

For the investments:

- up to the end of this financial year, it is proposed that these investments should not be financed from external borrowing, so a transfer is required from the Councils General Fund of £6.8m to the Capital Investment Earmarked Reserve. By making investments directly from in-house resources will mean that the Council can maximise returns and will not have to set-aside revenue funding in respect of the Minimum Revenue Provision.

- in subsequent years the Council will plan to externally borrow up to £35.0m. As the Council will be externally borrowing there will be the requirement to set-aside an amount for Minimum Revenue Provision (MRP); this will be equal to the annual loan repayment and a specific MRP policy is required (which will need to be approved by Council).

Where assets are being effectively managed, there will be occasions when assets will be sold and proceeds reinvested, it is proposed that capital receipts are ring-fenced in line with the Reserves Strategy (elsewhere on the agenda).

Recommendation(s):

That Overview and Scrutiny (Economic Well-Being) Panel review, note and comment to Cabinet in respect of the :

1. CIS Business Plan (**Appendix 2**).
2. Transfer of £6.8m from the Councils General Fund balance to the Capital Investment Earmarked Reserve.
3. Potential to borrow up to £35.0m from 2016/17 onwards to support the CIS. However, there will still be “head-room” to borrow a further £25.0m if commercial opportunities arise.
4. MRP policy noted below:

“For each capital investment undertaken under the requirements of the Councils Commercial Investment Strategy, Minimum Revenue Provision will be made that is equal to the principal repayment for any loan finance supporting the investment.”

That Cabinet approve the:

1. CIS Business Plan (**Appendix 2**).
2. Transfer of £6.8m from the Councils General Fund balance to the Capital Investment Earmarked Reserve.
3. Potential to borrow up to £35.0m from 2016/17 onwards to support the CIS. However, there will still be “head-room” to borrow a further £25.0m if commercial opportunities arise.
4. MRP policy noted below and refer this to Council for approval:

“For each capital investment undertaken under the requirements of the Councils Commercial Investment Strategy, Minimum Revenue Provision will be made that is equal to the principal repayment for any loan finance supporting the investment.”

1. WHAT IS THIS REPORT ABOUT?

- 1.1 The Council, along with all of local government, continues to face ongoing cuts in direct government grant as part of the government's austerity programme. However the pressure on services continues, and in some areas is increasing, so the Council is following a programme of service change to ensure that it is providing its services in the most cost-effective way possible.
- 1.2 Members will be aware that the Council is currently forecasting reductions of 37.6% by 2019/20, as detailed in the "Plan on a Page" (copy attached at **Appendix 1**). The "Plan on a Page" shows 6 strands that are being followed across the Council to assist in achieving the required budget reductions. One of these strands relates to "Income Generation" and a key constituent of this strand is the development of a Commercial Investment Strategy (CIS). The CIS itself was approved by Cabinet on the 17th September 2015 (Minute 35). What is now required is the approval of a Business Plan (BP) that will support the CIS.

2. BACKGROUND

- 2.1 Early in 2015 the Council started working with an external consultancy, EC Harris, in the development of the CIS, and then the BP. The CIS will incorporate the BP so the Strategy is one coherent document.
- 2.2 In the development of both the CIS and the BP, the Leader, Deputy Leader and the Executive Portfolio Holder for Resources have been consulted, including a meeting of the Treasury & Capital Management Group (TCMG) in mid-November and follow-up communications with the Executive Portfolio Holder for Resources. With regard to the development of the BP, at the TCMG meeting the following was undertaken:
- the BP model was reviewed so the investment schedule could be examined as well as both the revenue and capital propositions,
 - potential investment opportunities were discussed to gauge member appetite; these included both commercial assets and property funds.

Further, TCMG also discussed proposals for the reallocation of the General Fund balance.

3. THE BUSINESS PLAN

- 3.1 The BP itself is shown at **Appendix 2**, in addition to the Council's existing investment portfolio (£20.9m) the Council will aim to invest up to £50.0m between Quarter 3 of 2015/16 and the end of 2019, a summarised profile of investments is shown at **Appendix 3** and estimated revenue returns are shown in **Table 1** below.

Estimated Revenue Returns from the Commercial Investment Strategy					Table 1	
	2015/16	2016/17	2017/18	2018/19	Increase in Investments (2015/16 to 2018/19)	
	£000	£000	£000	£000	£000	
EXISTING INVESTMENTS						
Costs	371	379	386	394		
Income	(1,869)	(2,047)	(2,241)	(2,454)		
Net Income	(1,498)	(1,668)	(1,855)	(2,060)	562	38%
NEW PROPOSITIONS						
Revenue Propositions						
Costs	0	0	0	0		
Income	(27)	(114)	(236)	(265)		
Net Income	(27)	(114)	(236)	(265)		
Capital Propositions						
Costs	1	14	40	51		
Income	(56)	(875)	(2,120)	(2,825)		
Income before debt charges	(55)	(860)	(2,081)	(2,774)		
Debt Service/MRP	69	885	1,949	2,369		
Net Income	14	25	(132)	(405)		
CIS OVERHEADS	103	130	182	238		
TOTAL NET REVENUE	(1,408)	(1,627)	(2,041)	(2,492)	1,084	77%
Revenue Contribution to Equity (*1)	6.1%	7.1%	7.8%	9.0%		
Key: Equity – the difference between total asset values and debt						

Existing Investment Portfolio

- 3.2 The BP includes the Councils current commercial estate, valued at £20.9m and for 2014/15 gave a return of 7.2%.

Revenue Propositions

- 3.3 Local government is only permitted to invest in one revenue property investment fund; this is operated by CCLA Investment Management Limited and the BP proposes investing a total of £4.7m by the end of 2016/17.

Capital Propositions

- 3.4 The Capital Propositions include the following investment opportunities (amounts shown are net of completion costs):
- i. Property Shares
These are investments in property funds, similar in nature to Unit Trusts. The BP proposes investing £10.0m by mid-2016/17. Further property funds and shares (such as Real Estate Investment Trusts) are being investigated and their suitability is being assessed,

- ii. Direct Assets (Local Area)
These are investments in commercial property assets that are within the Councils local area. The BP proposes investing £18.9m by mid-2017/18. The “local area” is deemed to be Cambridgeshire and the area covered by the Local Enterprise Partnership.
- iii. Direct Assets (Regional Cities)
These are investments in commercial property assets that are outside of the Councils local area. The BP proposes investing £14.2m by the end of 2017/18.

Governance and Reporting

- 3.7 The BP includes a number of key performance indicators (KPI’s). It is proposed that these KPI’s are included within the Councils overall Treasury Management Strategy and reported to management in line with that key Strategy.
- 3.8 In addition, the performance of the BP and proposed investment opportunities and future borrowing requirements will be reported on a quarterly basis to the Treasury and Capital Management Group (TCMS). The TCMS included the Leader, Deputy Leader and the Executive Portfolio Holder for Resources along with the Head of Resources (as the Councils S.151 officer).

4. FINANCING

- 4.1 In total, the Council is looking to have a commercial asset portfolio of £71.0m; £68.7m once completion costs are excluded (based on current values). This is shown in **Table 2** below:

Funding of CIS Portfolio			Table 2
Funding	Asset £m	Completion Costs £m	Total £m
Existing Assets	20.9	0.0	20.9
Revenue Funding (2015/16)	12.1	0.4	12.5
Revenue Funding (2016/17)	2.4	0.1	2.5
Borrowing	33.3	1.8	35.1
Total	68.7	2.3	71.0

Reserves

- 4.2 The forecast:
 - General Fund (GF) balance will have increased to £9.8m by the end of 2015/16 (**Appendix 4**). At the Cabinet meeting held in February 2015, the minimum level of GF Reserves was set at £3.0m. At this time, this is contributing to a short-term investment income return of 0.2% which is considerably less than the Revenue Returns noted in **Table 1** (3.1). Therefore, to maximise the return from our balances it is proposed that £6.8m is transferred from the GF Reserve to the Capital Investment Earmarked Reserve (CIER).

- CIER balance will have increased to £5.7m by the end of 2015/16 (**Appendix 4**). With the inclusion of the £6.8m from the GF, this would give a total of £12.5m available for immediate investment. A significant advantage of transferring this balance is that by using internal resources this will mitigate the need to borrow; thus the need to finance a Minimum Revenue Provision.

Borrowing

- 4.4 Borrowing is expected to be from the Public Works Loans Board (PWLB). For the investments within the BP, repayment loans are expected to be the preferred form of loan finance.
- 4.5 If however, loan rates are found to be cheaper at other financial institutions then the Council will take appropriate advantage, providing that the institutions are included within the Councils Treasury Management Strategy.

Minimum Revenue Provision (MRP)

- 4.6 Where the Council externally “borrows” for capital purposes, the Council is required:
- to set aside an amount in respect of MRP.
 - have in place an approved MPR policy.
- 4.7 The capital propositions included within the BP that are to be financed from external borrowing are modelled on being financed by repayment loans (4.4), consequently the annual principal repayment will equate to the MRP requirement. As this is a new approach to MRP a new Policy is required to be approved by Full Council. Therefore the proposed MRP Policy for the CIS is shown below:

“For each capital investment undertaken under the requirements of the Councils Commercial Investment Strategy, Minimum Revenue Provision will be made that is equal to the principal repayment for any loan finance supporting the investment.”

- 4.8 Through the operation of the CIS, there may be occasions when investment assets are sold; it is recommended in the Reserve Review report elsewhere on the agenda, such capital receipts will be ringfenced for future CIS reinvestment in line with the Reserves Strategy.

5 RISKS AND BUSINESS PLAN ASSUMPTIONS

- 5.1 The Council has a very good track record of managing commercial assets; however what is proposed by the CIS is a step change in approach and therefore will attract a unique set of risks. A detailed analysis of the risks and mitigations is shown in **Appendix 5** along with the key assumptions of the Business Plan.

6. COMMENTS OF OVERVIEW & SCRUTINY PANEL

- 6.1 To be circulated after the Overview & Scrutiny (Economic Well-Being) Panel to be held on the 8th December 2015.

7. TIMETABLE FOR IMPLEMENTATION

- 7.1 The CIS Business Plan (Appendix 2) illustrates the proposed investment plan.

8. LINK TO THE CORPORATE PLAN

- 8.1 Supports “ensuring we are a customer focused and service led council” by delivering value for money services.

9. CONSULTATION

- 9.1 Detailed discussions with the Leader and Executive Portfolio Holder for Resources as key members of the Treasury & Capital Management Group.

10. LEGAL IMPLICATIONS

- 10.1 The council has the relevant broad legal powers to undertake the activities proposed. Each specific decision taken will need to be assessed for any legal implications and requirements to ensure the Council acts lawfully and in accordance with the decision making process set out in the Constitution. As such, regard will need to be given to the Constitution and the scheme of delegations which may require amendments to allow this process to be workable.

11. RESOURCE IMPLICATIONS

- 11.1 The direct resource implications are noted within the report.

12. REASONS FOR THE RECOMMENDED DECISIONS

- 12.1 The recommended decisions will enable the Council to commence the acquisition of commercial assets, this in turn will generate revenue funding that will assist the Council in devliering cost effective services.

13. LIST OF APPENDICES INCLUDED

Appendix 1 – Plan on a Page.

Appendix 2 – Commercial Investment Strategy: Business Plan.

Appendix 3 – Summarised Profile of Investments

Appendix 4 – Extract of Forecast Outturn and General Fund Reserve
as at September 2015 (reported to Cabinet, November 2015)

Appendix 5 – CIS Risks, Mitigations and Key Assumptions

BACKGROUND PAPERS

If stated need to be made available for publication for Cabinet meetings.

CONTACT OFFICER

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VISION

To improve the quality of life for the people of Huntingdonshire and work towards sustainable economic growth whilst providing value for money services

STRATEGIC PRIORITIES

A strong local economy

Enabling sustainable growth

Working with our communities

Ensuring we are customer focused and service led council

CURRENT SERVICES

Customer Service Strategy / Service Standards

Lean

Shared Services

Zero Basing

Income Generation

Facing the Future

CLICK arrow for details

CLICK arrow for details

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FINANCIAL

Financial ambitions

To reduce the Council's reliance on Central Government Funding and in so doing create a sustainable financial platform

Approved MTFS

% cut from MTFS

Modified budget

	2015/16	2016/17	2017/18	2018/19	2019/20
Approved MTFS	£18.881m	£19.870m	£20.671m	£21.259m	£21.721m
% cut from MTFS	0% (-£0m)	19.2% (-£3.8m)	28.6% (-£5.9m)	35.1% (-£7.5m)	37.6% (-£8.2m)
Modified budget	£18.881m	£16.059m	£14.750m	£13.805m	£13.553m

**Commercial Investment Strategy
Resources - Estates**

**BUSINESS PLAN
(Q3 2015/16 TO Q4 2018/19))**

Author: Clive Mason

Owner: Clive Mason Head of Resources

Client: HDC

Revision History:-

Version	Date	Status	Summary of Changes	Author
1	23/11/2015	Current	CIS Business Plan reviewed by Corporate Management Team	Clive Mason
1	08/12/2015	Current	CIS Business Plan reviewed by Overview & Scrutiny (Economic Well-Being) Panel	Clive Mason
1	10/12/2015	Current	CIS Business Plan reviewed/approved by Cabinet	Clive Mason

Distribution:-

This document has been distributed to:

Name	Role	S/R/I*
Cllr Jonathan Gray	Executive Portfolio Holder for Resources	S & R
CMT	Corporate	S & R

* S = SIGN-OFF, R = REVIEW, I = Information

1. Business Rationale

1.1. Description and Objectives

The Council faces considerable “revenue” financial challenges over the medium term; as shown in the Medium Term Financial Strategy (MTFS) the Council will have a budget gap of £2.4m by 2019/20 and between the end of 2016 and 2020 there will be a general reduction in general fund balances of £6.3m; such use of reserves does not represent financial sustainability.

To achieve financial sustainability, the Council is required to bridge a funding gap of £8.2m, as shown on the “Plan on a Page” and a key business activity to meet this gap is “income generation”, with the generation of revenue income via investment in Commercial Assets being a key component. The Council approved the Commercial Investment Strategy (CIS) in September 2015 and the CIS covers a 9 year period. This Business Plan is the vehicle through which the Council will aim to achieve additional revenue income between now and the end of 2019.

This approach will be a key thread in securing a sustainable financial future for the Council, as endorsed by Cllr Jonathan Gray, Executive Portfolio Holder for Resources:

“The Council faces an unprecedented decline in government funding and consequently, the Council needs to deliver services and generate income in new and innovative ways. The Commercial Investment Strategy will be a key driver to ensuring that the Council will have a sustainable financial future in the medium to long term. By investing in commercial assets, the Council aims to generate a revenue stream that will, over the medium term, support the delivery of cost effective services to the local community and over the next 10 years, to develop a healthy growth in invested capital resources”.

1.2 Strategic Objectives

The overall objective of the CIS is to undertake commercial activity to support the Council’s General Fund in the cost effective delivery of services.

Consequently, the strategic objectives of the CIS are as follows, to:

- i. generate sustainable revenue returns from investments in commercial assets that will support the general fund over the medium term.
- ii. develop a long-term commercial asset portfolio that will generate capital returns for immediate reinvestment.

1.3 Business Background

1.3.1 CIS

The CIS portfolio model covers a 9 year period, broken down into 3 distinct, but not equal phases:

- Phase 1 – this will focus on the development of revenue returns.
- Phase 2 – this will consolidate Phase 1 and commence pool funding to invest in capital assets that will generate future capital growth.
- Phase 3 – this will be an extension of Phase 2 so there is further investment in capital generating assets with a concentration on ensuring that the developed capital assets continue to develop revenue returns.

This approach to the commercial investment portfolio will aim to appropriately balance risk and reward with flexibility and the over-riding objective of revenue generation.

This first business plan will cover Phase 1, from now until 31st March 2019. The delivery options that the business plan will concentrate on include:

- Existing assets,
- Property Shares and Investment Funds
- Direct Assets (local and national)

1.3.2 Existing Asset

The Councils existing asset portfolio, as reported in the Councils Annual Financial Report 2014/15 is shown in **Table 1** below:

Current Investment Assets (31 st March 2015)		Table 1
		£m
Revenue	Rental Income	(1.9)
	Direct Costs	0.4
	Net revenue	1.5
Capital	Valuation	20.9

The current portfolio generates a net return of 7.2%.

1.3.3 CIS Investments

It is intended that by the end 2017/18 the Council will seek to invest a further £50.1m, with the Councils existing asset portfolio this gives a total commercial estate of £71.0m.

The capital investment will permit the purchase of new assets totalling £47.8m with associated completion costs of £2.3m (see **Table 2** below). When the existing portfolio is included, this would give a total commercial investment portfolio of £68.7m. The completion costs of £2.3m are allowable capital expenditure and as such capital resources can be used to finance these costs.

CIS Investment Portfolio			Table 2
Funding	Asset £m	Completion Costs £m	Total £m
Existing Assets	20.9	0.0	20.9
Revenue Proposition			
• Investment Fund	4.7	0.3	5.0
Capital Proposition:			
• Property Shares	10.0	0.1	10.1
• Direct Assets (Local Area)	18.9	1.0	20.0
• Direct Assets (Regional Cities)	14.2	0.8	15.0
Total	68.7	2.2	71.0

1.3.4 Funding of CIS

The business plan proposes that the £71.0m CIS portfolio is to be funded as shown in **Table 3** below:

Funding of CIS Portfolio			Table 3
Funding	Asset £m	Completion Costs £m	Total £m
Existing Assets	20.9	0.0	20.9
Revenue Funding (2015/16)	12.1	0.4	12.5
Revenue Funding (2016/17)	2.4	0.1	2.5
Borrowing	33.3	1.8	35.1
Total	68.7	2.3	71.0

1.3.5 Revenue Funding

The CIS is not a “capital only” investment strategy; to spread risk and maximise investment opportunities it is beneficial for the investment portfolio to be as broad as possible. Therefore, by investing in revenue only investments (1.3.3) as well as using revenue funds to finance capital investment, the Council is able to maximise its portfolio but in the most cost effective way possible.

As at the 31st March 2015, the Council’s General Fund Balance stood at £9.3m and had earmarked £4.7m in a Capital Investment Earmarked Reserve (CIER).

The September 2015 Budget Monitoring information, as reported to Cabinet in November 2015, forecast that by the end of 2015/16 a further contribution to the:

- General Fund balance of £0.5m would be made, giving a balance of £9.8m.
- CIER of £1.0m would be made, giving a balance of £5.7m.

Considering that the Council has approved a minimum level of General Fund reserves of £3.0m, it is proposed that the Council will transfer £6.8m from the General Fund balance to the CIER, thereby giving the Council £12.5m to invest in its Commercial portfolio. The benefits of utilising the General Fund balance in this way will be to:

- i. Minimise the need to borrow, and therefore reduce statutory costs relating to the Minimum Revenue Provision, and
- ii. Maximise returns from amounts invested.

1.3.6 Treasury Management Strategy - borrowing

The current Treasury Management Strategy (TMS), approved by Council in February 2015, permits the Council to long-term borrowing of up to £60.0m for “capital investments delivering a commercial yield”. With the investment portfolio proposed within the BP (Phase 1 of the CIS) a total of £35.1m is estimated to be borrowed by 2018/19, the profile of borrowing is shown in **Table 3** below:

Estimated Borrowing Profile for CIS	Table 3 £m
Now until 31 st March 2016	0.0
2016/17	20.0
2017/18	15.1
2018/19	0.0
Total	35.1

However, this leaves the Council with a further £24.9m available to borrow and invest in commercial activity. If an opportunity presents itself, the Council will be free to invest further within the CIS governance arrangements and the thresholds allowed within the TMS.

1.3.7 Use of Debt

Debt will be used to both increase the size of the CIS portfolio and to enhance returns. It is imperative that the use of debt as a form of financing is carefully monitored to ensure that the Council is not overly leveraged and the credit liability inherent in debt financing, and the cost of financing, is managed within the permitted limits of the Councils Treasury Management Strategy.

The overall amount of debt used in the CIS will be monitored in two ways:

i. Interest Cover Ratio (ICR)

This ratio determines the amount of total net income from property investments (after operating costs and any applicable taxes) compared with the interest expense of the debt. This is important so the amount of interest payable compared to income generated is proportionate.

Because debt commences later in the Phase 1 cycle, the profile of the ICR is shown in **Table 4** below. It is suggested that these are initial indices reflecting the maximum debt interest to revenue at the commencement of the BP. If investments profiles change, the ICR ratio will change.

Initial Interest Cover Ratio (at start of CIS Business Plan)			Table 4
Year	Estimated		ICR
	Revenue cash flow £000	Cost of Interest £000	
2015/16	183	11	16.6
2016/17	292	55	5.3
2017/18	403	87	4.6
2018/19	463	95	4.9

ii. Loan to Value Ratio (LTV)

This ratio determines the amount of total debt (compared to the total value of the underlying property assets as valued from time to time. Debt in this respect is both internal and external debt, i.e. revenue financing and borrowing from the market that is used to finance the capital propositions. Although it is recognised that the primary form of finance for the CIS portfolio is debt, it is important to ensure that the proportion of debt to asset value is actively managed to ensure that the debt burden is within acceptable limits

In a similar way to the ICR, the LTV ratios, as shown in **Table 5** below reflect that debt commences later in the BP cycle. It is suggested that these are initial indices reflecting the maximum debt asset value at the commencement of the BP. If investments profiles change, the ICR ratio will change.

Loan to Value Ratio (at start of CIS Business Plan)			Table 5
Year	Estimated		ICR
	Loan Value £000	Asset Value £000	
2015/16	10.0	32.9	30
2016/17	29.5	52.3	56
2017/18	43.5	69.5	63
2018/19	42.3	70.1	60

It is recognised that while the LTV is an important indices when having regard to debt repayment obligations, the ICR is the more important indices when monitoring the CIS on an on-going basis because it provides performance information that will enable the Council to determine its ability to:

- Make revenue contributions that will support the delivery of Council services.
- Meet its interest payments commitments on the debt within the CIS.

1.4. Portfolio Approach

The CIS will be viewed on a portfolio basis, in that the CIS's performance will be monitored "as a whole". This reflects the fact that the portfolio is made up of different investment propositions that themselves have different risks and rewards.

The current Estates team will be restructured so it will be able to proactively monitor and report to management on individual assets, relevant subsets or sectors of assets also the total portfolio; this shall include the Council's current commercial portfolio. In addition, the CIS will be actively reported to the Treasury & Capital Management Group.

In this way the Council will be able to:

- Make decisions about and review the CIS on an integrated and holistic basis
- Target and achieve diversification of investments and risk styles
- Benchmark performance
- Better manage risk

1.5. Delivery Options

There are a variety of ways in which the Council can invest in property; these are detailed in **Annex 1** and summarised below:

1. Type 1: Existing Assets
2. Type 2: Investment Funds
3. Type 3: Listed Property Shares
4. Type 4.1: Direct Asset (Local Area)
5. Type 4.2: Direct Asset (Regional Cities)
6. Type 5.1: Risk Share Development – Forward Purchase/Funding
7. Type 5.2: Risk Share Development – Joint Venture
8. Type 6: Self Develop

The approach to all these options at the start of the investment programme should be to start the CIS investment approach with a lower risk activity that can evolve over time as more experience is gained. Whilst the CIS would permit the delivery of all six delivery options, only Types 1 to 4 will be considered over the Phase 1 period of the BP.

With regard to a definition for “Direct Asset (Local Area)”, this is seen as anywhere within Cambridgeshire and the Local Enterprise Partnership area that the Council resides.

The capital value options (Types 5 & 6) are recognised as having higher risk and will be developed over Phase 2 and 3 (2019/20 onwards). It is recognised that risk may in fact be lower for Types 5-6 where they are within the Councils boundary given the specific knowledge that the Council may have in relation to those projects, the planning context, tenant requirements and general market knowledge. However, these investments are more complicated by their nature and consequently at this time will be left to a later period of the CIS.

1.6. Progressive Approach

It is understood that the desired portfolio mix, income profile and risk profile of the CIS is unlikely to be achieved in the first year of the business plan, and should be viewed as an evolutionary process that will take time to mature. Indeed, actual investments may not follow that indicated as such investments will be dependent on a host of variables, including but not limited to when the actual opportunity arises.

An indicative approach to the build-up of the portfolio, the appropriate delivery options over time and the reinvestment of capital is set out in the chart in **Annex 2**.

1.7. Approach to Risk

The strategic objectives of the CIS are designed to mitigate risk by:

- Having the fundamental aim of an income rather than capital return (although the latter is part of the strategy)
- Adopting a portfolio approach so as to avoid concentration of risk in any one property, tenant or risk type

In addition, CIS risk will be managed having regard to the following factors:

1. A robust acquisition due diligence process and subsequent approvals.
2. Asset management plans and on-going reviews.
3. Liability management (reviews of debt levels and terms).
4. Tenants (financial exposures, potential defaults, changing business plans).
5. Portfolio factors including occupancy levels, operating costs, etc.
6. Delivery partners (suitability, performance levels and financial stability).
7. Market factors (with periodic advice from appropriate professionals).
8. State Aid considerations.
9. Professional advisors.

1.8. Role of the Business Plan

The role of the Business Plan is to review on a periodic basis:

1. The strategic objectives of the CIS
2. The target income returns of the CIS
3. The target amount of capital invested in the CIS
4. The debt levels to be utilised in the CIS
5. The target portfolio composition of the CIS
6. The delivery models for achieving the CIS
7. The appropriate risk profile for the CIS

1.9 Key Assumptions

The key investment assumptions included with the BP are:

- Maximum Debt: £60.0m
 - The limit on Commercial Investments as approved in Treasury Management Strategy.
- PWLB Loan Rate: 2.75%, loans with a life of 20 years
 - The prevailing loan rate.
- Cost of funding capital propositions: a margin of 2% per annum and a management fee of 0.75% per annum.
 - The inherent cost of financing capital investments on an ongoing basis.
- CPI/General Inflation: 2.5%
 - Inflation on costs and income.
- Completion fees ranging from 0.50% to 5.75%
 - Each investment will incur costs to acquire. Such costs can be charged to capital.
- Revenue indexation/growth ranging from 2% and 3%
 - Estimates for revenue growth from the portfolio and capital value.

2. Financial Objectives

2.1. Target Income Returns

The primary indices for measuring returns on investment is the “return on equity” (ROE) indices. This is effectively the:

$$\text{Net Revenue Contribution (*1) / Equity (*2)}$$

*1 Revenue contributions shall be calculated as net i.e. income returns after taking into account all operating and management costs, interest expense, minimum revenue provision and relevant taxes.

*2 Equity being the difference between the value of assets and borrowing.

Following extensive modelling of the proposed investment opportunities, the expected revenue contribution to the Council will be £2.5m by the end of 2018/19; this gives a ROE of **9%**.

However, reflecting the income expected to be generated from the CIS will grow over time, it is best to have an ROE range for the period of the BP, this will be set between **6%** and **9%** per annum.

It is accepted that individual investments will contribute different levels of income return and that the target revenue contribution is an average across the CIS portfolio (1.4).

2.2. Allocations to Delivery Options (see 1.5 for definitions)

Immediate

At inception the CIS will consist of the Councils current Commercial Portfolio (Type 1: Existing Assets).

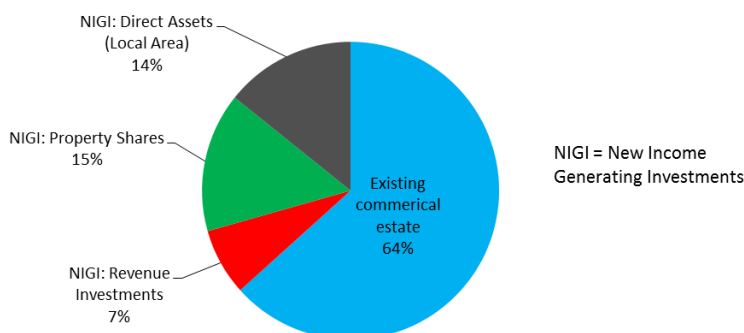
Year 1: Now until 31st March 2016

As well as the existing commercial estate, the Council will contribute £12.5m from in house resources to finance new commercial acquisitions, there will be no additional debt financing to the CIS. However, the £12.5m will be used to meet estimated £12.1 in asset purchase costs and £0.4m in completion costs.

This additional investment will be allocated to immediate income generating investments:

- i. Investment Funds (Type 2)
- ii. Property Shares (Type 3)
- iii. Direct Assets (Local Assets) (Type 4)

As a result it is intended that at the end of year 1 the capital invested (purchase price) in the CIS will be split as follows:



The net value of the Portfolio:	£32.9m
Debt within the Portfolio:	£10.1m

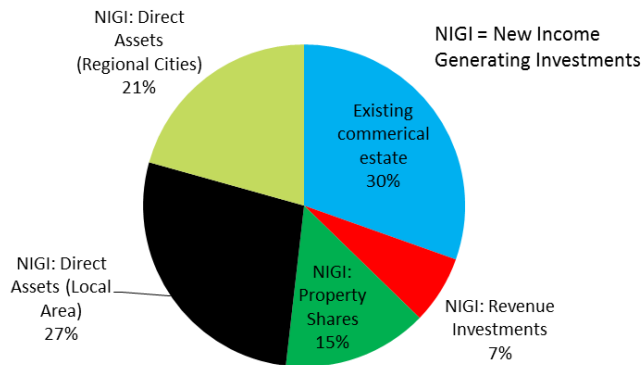
The net estimated revenue return by the 31st March 2016 is £1.4m, this is made-up of: £1.5m from the existing commercial estate, a marginal contribution from new investments of £27,000 and portfolio management costs of £100,000.

In this way the CIS can accommodate a blend of investments in year one between those that are immediately income producing and those that create capital returns and/or future income. As shown in the aforementioned paragraph, it should be noted that net returns are reduced in

the initial period of investment as a consequence of initial purchase/sales fees – but as these fees are met, future year’s returns start to increase.

Target Year 3: By 31st March 2019

By the end of the BP period, the value of the CIS portfolio will be £68.7m and split as follows



Some of the assets within the portfolio, such as revenue investments and property shares could be part of a wider asset product, similar to unit trusts. Consequently their liquidity is limited as the Council will not be able, on its own, to realise an investment quickly. However, such investments are not made for short-term capital gain and in reality the Council will be expected to invest in such assets for a minimum of 4 to 5 years. Because of the poor-liquidity of these investments, it is proposed that such assets will not exceed 25% of the CIS portfolio at any one time (the Illiquid Asset Ratio).

It is envisaged that investments made in future income producing investments (i.e. Direct Assets, either Local Area or Regional Cities i.e. delivery types 5 & 6) will either be sold and reinvested, or held as income producing assets. As such there will be a natural shift in the portfolio balance over time.

2.3. Borrowings

Borrowings will be the primary source of funding for the expansion of the CIS. As referred to in paragraph 1.3.7, there are two metrics that shall be used to monitor the debt position in the CIS, the Loan to Value ratio (LTV) and the Interest Coverage Ratio (ICR). As previously shown in **Tables 4** and **5**, there will be a range of indices as the BP matures up to the 31st March 2019, and the proposed range is shown below:

- LTV range shall be between of 5 and 17.
- ICR range shall be a between 30 and 65.

2.4 Future Capital Receipts

As the CIS develops, there may be occasions when assets are sold. All capital receipts will be ring-fenced to the CIS. Capital receipts will only be used for non-CIS investment when there has been separate agreement by Cabinet.

2.5. Section 151

As a consequence of the government's austerity programme, as well as the Council having to review both its direct and indirect service provision, it is also required to review the ways in which it manages and generates its corporate income. The current MTFs is forecasting savings required of in excess of £2.4m by 2019/20; however, with the continued pressure of ongoing austerity the Council is seeking to reduce its reliance on New Homes Bonus thereby becoming non-reliant on central government support. At this time this equates to savings of around 37.6% (£8.2m) by 2019/20.

Investing in commercial assets to generate an income stream is a relatively new and innovative way in which some Councils are seeking to bridge the gap in their budgets. This Councils Commercial Investment Strategy (and this Business Plan) is an ambitious plan to develop such a revenue stream. Expert advice has been sought from EC Harris, including the development of a financial business case which has allowed the Council to appropriately scenario plan different investment opportunities.

As mentioned, this Business Plan is ambitious but it is considered achievable. Obviously, returns are dependent on the market and the market remains "uncertain" even 7 years after the crash of 2008. However, the Council has not lost sight of the statutory requirement in respect of Treasury Management activity in that the primary driver must be to maintain the capital sum; consequently this plan represents a mix of investments and therefore a mix of risk to ensure the capital sum is fairly protected but allows for the generation of revenue income.

Firstly, the plan aims to invest in long-established property related investment funds (£15.0m), both of which are acceptable to the Councils Treasury Management advisors. Secondly, the plan then proposes to invest £35.0m in property assets; £20.0m in its local area (thereby clearly demonstrating the Councils commitment to its local area) and £15.0m on a wider geographical basis. It is therefore fair to say that the Plan takes a balanced view on risk, seeking to safeguard the capital invested but also to maximise the opportunity to generate fair revenue income returns.

2.6. Portfolio & Risk Metrics

A series of metrics will be used to examine the current performance and assist in planning the future profile of the CIS. The primary performances indices highlighted earlier in the BP include:

- Interest Cover Ratio (1.3.7i)
- Loan to Value Ratio (1.3.7ii)
- Return on Equity (2.1)
- Illiquid Asset Ratio (2.2)

Over-and-above these indices, there are other indicators that would be useful to monitor the CIS, however most of these will come into play as the CIS matures. These include:

- Historic and forecast income and total returns
As the CIS matures, different assets will be purchased within the same asset type. It will be useful to monitor the performance of the assets to assist in informing future assets acquisitions.
- Benchmarking of returns (IPD)
It would be useful to benchmark returns against the market and against other Councils.
- Gross & net income
Gross and Net income of the CIS itself will be useful to determine the overall cost envelope and the efficiency of the portfolio.
- Operating costs
This indices will be useful to determine the cost efficiency of the overheads within the Portfolio.

- Vacancy levels and Tenant exposures
These two indices will be useful to determine how effectively tenancies within the property investments are being managed. Would also be useful to review the types of tenant and their relevant industry to see if certain industries are better tenants.

3. Reporting

3.1 Reporting to Council

The CIS will be an intrinsic part of the Councils Treasury Management Strategy (TMS) and as such will be reported to Council in line with the TMS and the other TMS related reports.

The performance reporting specifically related to the CIS will include the basket of indicators noted within the business plan.

3.2 In-year Performance Reporting

The Cabinet has established a “Treasury and Capital Management Group” (TCMG), its purpose to meet on a quarterly basis to review the Councils Treasury Management activity and the performance and approval of the Councils capital programme. As the CIS will become a key element of the Councils TMS, the TCMG will take a member lead in supporting and guiding the operation of the CIS.

4. Risk Management

Risk will be managed as envisaged in section 1.7 above and having regard to the portfolio and risk metrics referred to in section 2.5 above.

Appropriate reporting formats will be developed and reviewed in line with 5.

5. Other Matters for Consideration

5.1 Governance

The CIS is intended to be managed within the Councils current governance structures. Day-to-day management will be within the Resources Team with quarterly review by the Treasury and Capital Management Group, including relevant performance reporting as noted in 3.2 above. In addition, as the CIS will be a key element of the Councils TMS, it will be included within the TMS statutory reporting requirements.

5.2 Resourcing Plan

The current Estates Team will be reviewed following approval of the CIS Business Plan to ensure that the Council will have in place appropriate resources to ensure the effective and successful operation of the business plan.

5.3 Audit Requirements

The CIS and the Business Plane will be subject to both Internal and External Audit as agreed by the Corporate Governance Panel and the External Auditors Code of Audit Practice respectively.

5.4 Timescales for the Commencement of the Business Plan

Target Start Date	Cabinet – December 2015
Target End Date	31/03/2019
Business Plan review due	Annually, or more frequently if required.

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1. Existing Assets

WHAT IS IT?

- This is the Council's current commercial portfolio.

HOW DOES IT WORK?

- The Council will continue to manage the estate based.
- After deciding on price and clearing appropriate internal approvals, bid for assets.
- Using appropriate advisors (legal, surveying, valuation) undertake due diligence and complete legal acquisition documentation.
- Ongoing management arrangements (internal).
- Regular asset reviews to determine business plan and exit strategy.
- Process required on an asset by asset basis.

BENEFITS

Financial Objective	Depending on property type, is capable of delivering market level income return
Revenue Delivery	Generates revenue from the time of the property acquisitions
Risk	Low risk option with the appropriate due diligence
Control	High level of control
Liquidity	Reasonable liquidity, subject to usual property market timings
Management Oversight	Assuming management is outsourced - relatively light requirement - high involvement at key decision points (buying and selling)

LIMITATIONS

Performance	Low return option and no competition in the market for the Council.
Diversification	Maintain and develop as required.

2. Investment Funds

WHAT IS IT?

- The Council invests in an unlisted property fund which owns a range of diversified property investments.

HOW DOES IT WORK?

- The Council will undertake a process of reviewing available fund options and the track record of the fund managers.
- Once capital is invested the entire responsibility for acquiring and managing the investments is delegated to and the responsibility of the fund manager.
- The fund manager will report and pay distributions to the Council on a regular basis, usually quarterly.
- The fund documentation will set out the rights of the Council to redeem its investment and/or to sell it on the secondary market. The nature of these rights will vary depending on the type of fund.

BENEFITS

Financial Objective	Depending on property type, is capable of delivering market level of income return
Revenue Delivery	Generates revenue from the time of the fund investment - generally a shorter time than investing in direct property
Risk	Risk is determined by the nature of the fund. Additional risks relate to the fund structure, principally the performance of the fund manager
Performance	Returns are related to the specific investment strategy of the fund and manager performance.
Diversification	Fund investment can spread risk over a large number of underlying assets.
Control	High level of control of fund interest
Management Oversight	Very light requirement

LIMITATIONS

Liquidity	Unlisted investment funds generally have a low level of liquidity, particularly in market downturns.
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3. Listed Property Shares

WHAT IS IT?

- The Council invests in listed property shares in a fund or a separate account mandate managed by a specialist fund manager.

HOW DOES IT WORK?

- The Council will undertake a process of reviewing managers and available fund options and selecting an appropriate investment strategy.
- Once capital is invested the entire responsibility for acquiring and managing the investments is delegated to and the responsibility of the fund manager.
- The fund manager will report and pay distributions to the Council on a regular basis, usually quarterly.
- The mandate with the fund manager can be structured to allow an immediate liquidation of the investment portfolio if required.

BENEFITS

Revenue Delivery	Generates revenue from the day the property shares are acquired - share transactions can be effected in a short time period
Liquidity	The highest level of liquidity
Risk	The risk and return level is flexible and can be altered over time by reference to the agreed investment strategy
Diversification	Risk can be spread over a large number of underlying property companies/assets.
Control	High level of control
Management Oversight	Very light requirement

LIMITATIONS

Performance	Higher volatility than direct property. Longer term performance correlates to property but short term can correlate to general equity markets
Financial Objective	Dividend yields generally lower than direct property yields.

4.1 and 4.2 Direct Assets – Local and National Acquisitions

WHAT IS IT?

- The Council acquires and manages freehold or leasehold properties in either the Local area (defined as within Cambridgeshire and the Local Enterprise area) or Nationally.

HOW DOES IT WORK?

- The Council uses property professionals to identify market opportunities.
- After deciding on price and clearing appropriate internal approvals, bid for assets.
- Using appropriate advisors (legal, surveying, valuation) undertake due diligence and complete legal acquisition documentation.
- Establish ongoing management arrangements (internal or outsourced).
- Regular asset reviews to determine business plan and exit strategy.
- Process required on an asset by asset basis.

BENEFITS

Financial Objective	Depending on property type, is capable of delivering market level income return
Revenue Delivery	Generates revenue from the time of the property acquisitions
Risk	Low risk option with the appropriate due diligence
Control	High level of control
Liquidity	Reasonable liquidity, subject to usual property market timings
Management Oversight	Assuming management is outsourced - relatively light requirement - high involvement at key decision points (buying and selling)

LIMITATIONS

Performance	Low return option and no competitive market position for HOC
Diversification	Circa 20 investments required to deliver portfolio diversification

5.1 Risk Share Development - Forward Purchase / Funding

WHAT IS IT?

- The Council enters into an agreement with a developer to fund part of the development cost and/or acquire a development on completion.

HOW DOES IT WORK?

- The Developer will identify a market opportunity (although it may come from the Council) and carry out the development functions
- The Council will be able to determine the risk profile it wishes to take on in entering the arrangement with the developer (e.g. after planning permission has been secured and construction packages have been tendered).
- During the construction stage the Council will likely require monitoring rights.
- Post development completion (as per direct investment):
 - Establish ongoing management arrangements (internal or outsourced).
 - Regular asset reviews to determine business plan and exit strategy.

BENEFITS

Financial Objective	Should deliver a premium to pure investment activity, so at least a market level income return dependent on property type
Performance	A higher level of performance than investment activity
Risk	The risk of development is highly mitigated by the forward purchase/funding arrangements
Control	High level of control
Management Oversight	Moderate level once the transaction is agreed

LIMITATIONS

Revenue Generation	Revenue can accrue to the investment when funded, but this will only occur during or at the end of the development period
Diversification	Circa 20 investments required to deliver portfolio diversification
Liquidity	Low liquidity during the development period, thereafter as per the general property market

5.2 Risk Share Development - Joint Venture

WHAT IS IT?

- The Council enters into a JV agreement with a developer to carry out a specific development

HOW DOES IT WORK?

- The Developer will identify a market opportunity (although it may come from the Council) and carry out the development functions.
- The risk of the development will be shared 50/50 between the Council and the Developer.
- The Council will be involved in key decisions during the development period.
- Post development completion (as per direct investment):
 - Establish ongoing management arrangements (internal or outsourced).
 - Regular asset reviews to determine business plan and exit strategy.

BENEFITS

Financial Objective	Should deliver a premium to pure investment and forward purchase/funding, so at least a market level return dependent on property type
Performance	A higher level of performance than investment and forward purchase/fund development activity
Risk	The risk of development is mitigated by careful partner selection and development stage oversight
Control	Strong level of control through JV documentation
Management Oversight	Meaningful level of oversight required

LIMITATIONS

Revenue Generation	Revenue will only accrue once the development is completed and leased (or sold).
Diversification	Diversification improved given Developer 50% capital contribution. Circa 20 investments required to deliver portfolio diversification
Liquidity	low liquidity during the development period, thereafter as per the general property market

6. Self Development

WHAT IS IT?

- The Council undertakes a development itself, appointing a development manager.

HOW DOES IT WORK?

- The Development Manager will identify a market opportunity (although it may come from the Council) and carry out the development functions.
- The risk of the development will be taken 100% by the Council.
- The Council will be involved in key decisions during the development period.
- Post development completion (as per direct investment):
 - Establish ongoing management arrangements (internal or outsourced).
 - Regular asset reviews to determine business plan and exit strategy.

BENEFITS

- Financial Objective** Should deliver a premium to pure investment and forward purchase/funding, so at least a market level return dependent on property type
- Performance** The highest level of performance- the Council retains all development profit
- Risk** The risk of development is mitigated by appointment of expert development manager and adoption of thorough risk management strategy
- Control** Complete control with the Council

LIMITATIONS

- Management Oversight** Complete control with the Council
- Revenue Generation** High level of oversight required
- Diversification** Revenue will only accrue once the development is completed and leased (or sold).
- Liquidity** Circa 20 investments required to deliver portfolio diversification

low liquidity during the development period, thereafter as per the general property market

Developing a Portfolio Model

It is understood that HDC is intending to plan for a growing shortfall in Central Government resulting in a desire to achieve a growing revenue return over time. This can potentially be achieved in two ways. First by increasing the amount of CIS investment and secondly by taking greater risk in the investment strategy.

A potential model for taking progressively, and measured, increased risk over time is shown below. The intention is that a blend of risk profiles are employed and that the proceeds of higher risk (and shorter term) activities are partly redeployed back into the lower risk, long term sustainable “core” investment strategy.



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Appendix 3

"Proposed" Investment Schedule

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		2015/16		2016/17				2017/18				2018/19				TOTAL	
		Year 1		Year 2				Year 3				Year 4					
		End of		End of		End of		End of		End of		End of		End of			
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	£m	
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Type 2: Revenue Proposition (use of ER) - Asset Purchase Cost - Asset Completion Cost Capital Proposition Type 3: Property Shares - Asset Purchase Cost - Asset Completion Cost Type 4.1: Direct Assets (Local Are) - Asset Purchase Cost - Asset Completion Cost Type 4.2: Direct Assets (Regional Cities) - Asset Purchase Cost - Asset Completion Cost	Life																
			2,364														4,728
			136														272
			2,500	0	0	0	0	0	2,500	0	0	0	0	0	0	0	5,000
		20	4,975		4,975												9,950
			25		25												50
		20		4,728	4,728		4,728		4,728								18,912
				272	272		272		272								1,088
		20					4,728		4,728			4,728					14,184
							272		272			272					816
		5,000	5,000	0	10,000	5,000	5,000	5,000	5,000	5,000	0	5,000	5,000	5,000	5,000	45,000	
		7,500	5,000	0	10,000	5,000	7,500	5,000	5,000	0	5,000	5,000	5,000	5,000	5,000	50,000	
		12,500			22,500				15,000							50,000	
Total per Quarter		7,500	5,000	0	10,000	5,000	7,500	5,000	5,000	0	5,000	5,000	5,000	5,000	5,000	50,000	
Total per Annum		12,500			22,500				15,000							50,000	
By Quarter: Total Asset Purchase Cost		7,339	4,728	0	9,703	4,728	7,092	4,728	4,728	0	4,728					47,774	
Total Completion Cost		161	272	0	297	272	408	272	272	0	272					2,226	
		7,500	5,000	0	10,000	5,000	7,500	5,000	5,000	0	5,000	5,000	5,000	5,000	5,000	50,000	
By Year: Total Asset Purchase Cost		12,067			21,523				14,184							47,774	
Total Completion Cost		433			977				816							2,226	
		12,500			22,500				15,000							50,000	

Consolidation and development of "Risk Shared Development" Options

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**Forecast Outturn and General Fund Reserve as at September 2015
(as reported to Cabinet, November 2015)**

Appendix 4

Revenue Forecast Outturn September 2015	2014/15		2015/16		Forecast Variation Compared to :-				
	Provisional Outturn	Original Budget	Updated Budget	Forecast	Original Budget		Updated Budget		
	£'000	£'000	£'000	£'000	£'000	%	£'000	%	
Revenue by Service:									
Community	2,487	2,130	2,136	2,033	(97)	-4.6	(103)	-4.8	1
Customer Services	4,160	4,488	4,719	4,377	(111)	-2.5	(342)	-7.2	2
Development	1,268	1,691	1,700	1,388	(303)	-17.9	(312)	-18.4	3
Leisure & Health	320	58	60	(27)	(85)	-146.6	(87)	-145	4
Operations	4,546	4,593	4,593	4,587	(6)	-0.1	(6)	-0.1	5
Resources	2,997	3,930	3,929	3,901	(29)	-0.7	(28)	-0.7	
Directors and Corporate	2,845	2,377	2,392	2,265	(112)	-4.7	(127)	-5.3	6
Technical Adjustments	(452)	(386)	(386)	0	386	-100	386	-100	
Net Revenue Expenditure	18,171	18,881	19,143	18,524	(357)	-1.9	(619)	-3.2	
Contribution to Reserves	1,693	797	535	1,154	357	44.8	619	115.7	
Budget Requirement (Services)	19,864	19,678	19,678	19,678					
Financing:-									
NDR & Council Tax surplus	(6,222)	(4,242)	(4,242)	(4,902)	(660)	15.6	(660)	15.6	7
Government Grant (Non-specific)	(8,022)	(7,668)	(7,668)	(7,668)	0	0	0	0	
Contribution to Reserves (additional Funding)	2,018	0	0	660					
Council Tax for Huntingdonshire DC	7,638	7,768	7,768	7,768					
General Fund Reserve									
Balance as at 1st April	8,684	8,537	8,537	9,287 A	750	8.8	750	8.8	
Contribution to Service Expenditure	603	797	535	535	(262)	-32.9	0	0	
Outturn forecast as at 31 March	9,287	9,334	9,072	9,822	488	5.2	750	8.3	
Earmarked Reserves					Movement in Earmarked Reserves				
S106 agreements	1,141			1,141					
Commuted S106 payments	1,762			1,762					
Repairs and Renewals Funds	1,300			1,300					
Delayed Projects	262			262					
Collection Fund	2,768			2,768					
Capital Investment	4,737			5,716	979				Additional saving in excess of the contribution to General Fund Reserves
NDR Reliefs				300	300				S31 New Burdens grant - Forecast repayment to DCLG
Special Reserve	2,500			2,500					
Other Reserves	1,227			1,227					
Total Earmarked Reserves	15,697			16,976	1,279				

Definitions

Original Budget
Updated Budget
Provisional Outturn
(A)

As approved by Council, February 2015
The Original Budget including approved carry forwards from 2014/15
Provisional Outturn reported to Cabinet in June 2015.
Actual General Fund Balance as at 31st March 2015

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RISK	COMMENTARY	MITIGATION
Management		
<ul style="list-style-type: none"> Unable to recruit necessary internal expertise to manage portfolio. 	The current Estates service is not structured to be able to support the requirements of the CIS.	Skills analysis and recruitment planning, including visiting other Councils undertaking a similar CIS approach to establish skills needed. Then a full restructure of the Estates service will be undertaken.
<ul style="list-style-type: none"> Internal support structure does not meet service requirements 	Although the current estate is commercial centric in approach, the introduction of the CIS will require a faster approval process for investment decisions.	A Disposals & Acquisitions Policy (and a related Code of Practice) has been approved. Further the performance of the CIS is a key reporting requirement of the Treasury and Capital Management Group. Further, with a restructure of the Estates service will embed the structures needed to support the CIS.
Funding		
<ul style="list-style-type: none"> Funds at 31 March 2016 not as high as currently estimated, therefore have to borrow earlier. 	Possibility that the forecast underspend changes from that predicted, thereby reducing the amount available to be spent on asset acquisition from internal resources.	Ongoing monitoring of 2015/16 service delivery, ensuring that the ZBB programme and in-year savings are secured. Also, identifying as early as possible cost pressures so alternative action can be undertaken.
Investment		
<ul style="list-style-type: none"> Reduced revenue streams because profile of investments changes due to investment opportunities not identified as quickly as possible. 	No comment.	<p>Early intervention with local and national estate agents (and similar brokerages) to identify opportunities as early as possible.</p> <p>Robust but pragmatic due diligence processes to review investment opportunities.</p>

<ul style="list-style-type: none"> Loss of capital investment 	<p>This could be the result of reduce asset values due to various forms of impairment (i.e. catastrophic disaster or local/national economy).</p>	<p>Pre-acquisition due diligence of assets and the market the assets are in. Ongoing monitoring of capital values and asset market to quickly identify and action where stresses are identified so asset disposal actions can be followed as quickly as possible.</p>
<ul style="list-style-type: none"> Investments in unfamiliar sector or regions may be time consuming with poor advice and low returns. 	<p>This would be the result of poor market research or over ambitious acquisitions.</p>	<p>Preservation of capital is paramount, thereby Council would need to follow appropriate due diligence of investment opportunities, to ensure that asset particulars are robust.</p>
<ul style="list-style-type: none"> Pressure to constrain investment to District only leading to limited opportunities and over reliance on local market conditions. 	<p>This could result to non-adherence to the CIS Business Case or political pressure to invest local rather than national.</p>	<p>The CIS Business Case clearly demonstrates the balance between investment types. The portfolio is balanced and shows that early property investment will centre on the local area, with a broadening in due course.</p>
<ul style="list-style-type: none"> Non-commercial activity within HDC slows investment progress 	<p>Due to poor management and or governance.</p>	<p>The CIS and its development is a key constituent of the "Income Generation" thread within the "Plan on a Page" and a service priority within the Resources service. An Estates service restructures will be undertaken and the CIS will be a centre of this services delivery plans.</p>
<p>Governance and Economics</p>		
<ul style="list-style-type: none"> Change in government regulations/legislation 	<p>The 2011 Act allows a Council to undertake "what an individual" would do; consequently investing activity of the sort included within the CIS is permissible; providing any borrowing is prudent and meets the requirements of the Prudential Code and relevant capital regulations.</p>	<p>By acting within current legislation requirements, the actions of the Council are not "ultra-vires". Any future changes in government and or legislation would have to be dealt with as they occur. The worse that could happen is that the Council was required to sell its investments and repay supporting borrowing. Providing capital values are maintained at or above acquisition values, and as borrowings will be on a repayment</p>

		basis, the Council should be able to meet any potential future obligations.
<ul style="list-style-type: none"> • Downturn in the National and Local economy. 	This could affect capital values and rental incomes if tenant businesses fail.	Ongoing monitoring of the national and local economy and remedial action to protect capital investments (including sales/moth balling etc) and proactive reviews of rents.
<ul style="list-style-type: none"> • Procurement regulations make property development uneconomic without a JV and shared profit 	Procurement regulations change that make current governance structures uneconomic.	Ongoing review of governance structures to ensure that tax and other economic factors are mitigated so the Council can maximise its returns.
Political Commitment		
<ul style="list-style-type: none"> • Political change forces change in direction. 	CIS is no longer seen as a key deliverable to support ongoing service delivery.	The CIS is not a political vehicle; it is a means by which the Council can support ongoing service delivery.

CIS Financial Modelling Assumptions

The key investment assumptions included with the BP are:

- Maximum Debt: £60.0m
 - The limit on Commercial Investments as approved in Treasury Management Strategy.
- PWLB Loan Rate: 2.75%, loans with a life of 20 years
 - The prevailing loan rate
- Cost of funding capital propositions: a margin of 2% per annum and a management fee of 0.75% per annum.
 - The inherent cost of financing capital investments on an ongoing basis.
- CPI/General Inflation: 2.5%
 - Inflation on costs and income.
- Completion fees ranging from 0.50% to 5.75%
 - Each investment will incur costs to acquire. Such costs can be charged to capital.
- Revenue indexation/growth ranging from 2% and 3%
 - Estimates for revenue growth from the portfolio and capital value.

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CURRENT ACTIVITIES OF THE SOCIAL AND ENVIRONMENTAL WELL-BEING PANELS

STUDY	OBJECTIVES	PANEL	STATUS
Delivery of Advisory Services Across the District	To monitor the performance of the voluntary/community organisations awarded grant aid by the Council in 2013 – 2015. To discuss funding arrangements for the final year of the Voluntary sector agreements.	Social Well-Being	The Panel received presentations at its October 2015 meeting from the six organisations currently in receipt of three year funding awards (Strategic Grants) which are due to end in March 2016. Further reports from the Head of Community are due in advance of an application process for future grant funding being launched in early 2016.
Housing and Council Tax Benefit Changes and the Potential Impact Upon Huntingdonshire	To monitor the effect of Government changes to the Housing Benefit System arising from the Welfare Reform Act.	Social Well-Being	The Panel received a report on the effect of the Government's Welfare Reform programme and how it impacts on households in Huntingdonshire in December 2014. It was agreed that further updates will only to be provided as circumstances require.
Affordable Housing	To make recommendations for the next Housing Strategy 2016-19 by considering and making recommendations on ways to deliver affordable housing, including through the rural and enabled exceptions policy of the Local Plan and through the Community Land Trust.	Social Well-Being	<p>A report on the Working Group's findings and recommendations was submitted at the Panel's November 2015 meeting. The Panel agreed to submit the recommendations to Cabinet's meeting in November 2015 for their consideration.</p> <p>A report of Cabinet's response to the recommendations is to be submitted to the Panel's January 2016 meeting.</p>
The Health Economy	To establish priorities for future work on the local health economy.	Social Well-Being	<p>Scoping paper considered. Further reports requested on:</p> <ul style="list-style-type: none"> • the current state of Neighbourhood Planning within the area and how it was likely to develop and how it might promote community resilience; • community engagement, including examples of good practice; • the impact of Welfare Reforms, including fuel poverty and how it was defined;

STUDY	OBJECTIVES	PANEL	STATUS
			<ul style="list-style-type: none"> • reviewing the Council's Equalities Impact Assessment arrangements, and • the impact of growth on GP surgeries, school places and hospital capacity.
Registered Social Providers	To review the work of Registered Social Providers and the challenges faced by them.	Social Well-Being	The Panel appointed Councillors R Fuller, P Kadewere, M C Oliver and Mrs D Reynolds onto the Working Group.
The Impact Of Cambridgeshire County Council Budget Proposals On Huntingdonshire And It's Residents.	To review the Cambridgeshire County Council's Budget proposals and assess their impact upon Huntingdonshire and it's residents.	Social Well-Being	<p>The Panel appointed Councillors D Brown, S Criswell, M Francis, T Hayward and P Kadewere onto the Working Group.</p> <p>The Overview and Scrutiny (Economic Well-Being) appointed Councillors T Alban, G Bull, B Hyland and M Shellens onto the Working Group.</p> <p>The Overview and Scrutiny (Environmental Well-Being) appointed Councillors Mrs S J Conboy, D A Giles, T D Sanderson and R J West onto the Working Group.</p>
Flood Prevention within the District	To investigate flood prevention arrangements in the District and the impact of flooding on associated local policy developments.	Environmental Well-Being	Following a presentation on flood risk management from representatives of the Environment Agency, a scoping report was considered by the Panel in April 2014 and a Working Group appointed. The Chief Executive and Clerk to the Middle Level Commissioners delivered a presentation to the Panel's June 2014 meeting to outline their role with flood alleviation in the District and the working group met in March 2015 to consider the draft Cambridgeshire Flooding and Water SPD.
Waste Collection Policies	To assist the Head of Operations and Executive Member for Operations & Environment with reviewing waste collection policies in	Environmental Well-Being	<p>The Working Group's activities are currently on hold until the Operations Review has been completed and implemented.</p> <p>A draft new operational policy for garden waste</p>

STUDY	OBJECTIVES	PANEL	STATUS
	relation to the collection points for wheeled bins/sacks and remote properties (farms and lodges).		<p>contamination was considered at the Panel's September meeting in advance of a future report to Cabinet.</p> <p>A draft new operational policy for dry recyclates contamination was considered at the Panel's November meeting in advance of a future report to Cabinet.</p> <p>Review work for a lane end collection policy was considered at the Panel's November meeting in advance of policy development.</p>
Litter Policies and Practices (to include graffiti removal)	To consider and make recommendations on future litter and graffiti service scope and standards and on public appetite for changes.	Environmental Well-Being	The Working Group's activities are currently on hold until the Operations Review has been completed and implemented.

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Panel Date	Decision	Action	Response	Date for Future Action
	<p><u>Scrutiny of Partnerships</u></p> <p>The Panel has received two presentations on the Local Enterprise Partnership. A presentation on the Local Enterprise Zone was given to the Panel's meeting in November 2011</p>		<p>The Chairman and the Chief Executive of the Local Enterprise Partnership have been invited to give a presentation on their business plan.</p> <p>UPDATE: The presentation to the Panel is now re-scheduled for March 2016.</p>	<p>03/03/16</p>

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<p>12/06/14</p> <p>10/07/14</p> <p>06/11/14</p>	<p><u>Project Management Select Committee</u></p> <p>Reiterated a request for the post project appraisals for the development of the Huntingdon multi-storey car park and One Leisure, St. Ives.</p> <p>With a view to undertaking a review of the Project Management Arrangements within the Authority, the Panel has been updated on the progress which has been made by the Council's Project Management arrangements within the Authority.</p> <p>The Panel received a project closure report for the Huntingdon Multi-Storey Car Park and One Leisure St Ives developments and agreed to establish a Project Management Select Committee in February 2015 to give further consideration to the issue of project management within the Authority.</p>			
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Agenda Item 11

Panel Date	Decision	Action	Response	Date for Future Action
17/02/15	Select Committee held, with 2 Members co-opted from each of the Social and Environmental Well-being Panels.			
09/04/15	A report on the findings of the Select Committee was submitted to the Panel. The Panel endorsed the report and agreed to make several recommendations to Cabinet.		The Panel's recommendations to Cabinet were agreed. Two further reviews are scheduled:	
08/11/15	Six month review report on progress with project delivery considered by Panel.		12 month review (Select Committee)	03/03/16

ACTION LOG

(Requests for information/actions other than those covered within the Progress Report)

Date of Request	Description	Response
04/09/14	Huntingdon West Masterplan to be circulated. Panel Members will also receive an invitation to attend the Overview and Scrutiny Panel (Environmental Well-Being) when this is discussed.	Not currently on Notice of Key Executive Decisions.
04/09/14	Councillor M F Shellens requested a copy of the Huntingdonshire Infrastructure Business Plan in due course. Panel members will also receive an invitation to attend the Overview and Scrutiny Panel (Environmental Well-Being) when this is discussed.	The Huntingdonshire Infrastructure Business Plan is expected to be submitted to the December 2015 meeting of the Environmental Well-being Panel.