



<b>REPORT OF:</b>	MANAGEMENT TEAM
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<b>TO:</b>	EXECUTIVE
<b>DATE:</b>	21 June 2018
<b>EXECUTIVE MEMBER:</b>	OUNCILLOR T. SCHOFIELD

<b>KEY DECISION REQUIRED:</b>	NO
<b>WARD (S) AFFECTED:</b>	ALL

<b>SUBJECT:</b>	<b>QUARTERLY PERFORMANCE REPORT (Q4 2017-18)</b>
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**RECOMMENDATION:**

To note the performance outlined in the attached report.

**REASONS FOR RECOMMENDATIONS:**

To consider performance for the fourth quarter of the financial year 2017-18.

**EXECUTIVE SUMMARY:**

The attached report provides the headline issues in relation to the Council's overall performance for Quarter 4.

The attached report (**Annex1**) was considered by the Overview and Scrutiny Committee on 12 June 2018.

The Committee's observations will be reported to the Executive,

<b>Executive has authority to approve the above recommendation.</b>
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<b>Subject:</b>	<b>Quarterly Performance Report (Q4 – January – March 2018)</b>
<b>Officer:</b>	Gavin Handford / Jocelyn Convey
<b>To:</b>	Overview and Scrutiny Committee, 12 June 2018
<b>Purpose:</b>	To consider the key service performance for the fourth quarter of the year 2017-18.

## Introduction

This report provides the headline issues on major variances in relation to the Council's overall performance for Quarter 4

The detailed information showing all performance is available for Members to review at the eMembers room.

The headline performance information is set out in the following sections:

Key Performance Indicators – Q4 2017-18	Section 1
Risk Management	Section 2
Internal audit	Section 3

## Recommendation

The Committee is requested to review the performance report and consider any advance questions received in relation to strategic issues and make any observations to the Executive.

## Section 1

### KEY PERFORMANCE INDICATORS

#### Headline Information

11 of the 13 Key Performance Indicators (KPIs) that are reported on in this quarter are either on target or within the agreed tolerance.

KPI 4 is a contextual indicator and therefore has no target set.

#### Major variances (those off target)

##### KPI 13 – Business income as a percentage of gross budget

Target	Actual
11.6%	10.3%

#### Management comments/actions:

The reduction in business income in 2017/18 from 2016/17 is due to the council receiving one off income in 2016/17 for hosting the EU referendum and the Police and Crime Commissioner Elections which was not repeated in 2017/18. Similarly, in 2016/17 the council operated its own Building Control function. Building Control is now a shared service with other local authorities. Building Control income is accounted for as part of the shared service in 2017/18.

The methodology for calculating the council's performance against this KPI is being redefined for 2018/19.

#### eMembers room information

A copy of the full schedule can be found in the eMembers room.

## Section 2

### RISK MANAGEMENT

The report covers the two aspects of risk management

- **Strategic Risks**

Strategic risks are defined as those risks that have an impact on the medium to long term ambitions and priorities of the Council as set out in the Five Year Plan and the Medium Term Financial Strategy. The Management Team has shared responsibility for the Strategic Risks.

- **Operational Risks**

Operational risks are those short term risks that are encountered in the course of the day to day delivery of services and functions. Individual operational managers will have responsibility for their own operational risks. The Management Team will be responsible for monitoring the operational risk registers.

All risks are actively monitored by the Management Team to ensure that appropriate controls are in place.

### New Risks

There were no new strategic risks identified in Q4.

### Strategic Risks

All risks will either be transferred to the 2018/19 register or will be closed.

Ref no	Risk description 2017/18	Risk Rating
SR1	<p><b>Financial sustainability and commercial service development</b></p> <p>The Council no longer receives any Revenue Support Grant, and the reforms to business rates will likely result in a significant reduction, or complete removal, of this funding to Reigate &amp; Banstead by 2020.</p> <p>The Council, therefore, needs to fund services from other income streams. This will increasingly require the Council to identify and take advantage of commercial opportunities, where services can deliver new income streams.</p> <p>This will involve new areas of work which will require new skills and expertise, as well as a reasonable level of risk taking. There will also be new legal requirements wherever company structures are established.</p> <p>If we do not generate new income streams in this way, it could lead to</p>	Yellow

Ref no	Risk description 2017/18	Risk Rating
	reductions in services and standards or service delivery failure.	
<b>SR2</b>	<p><b>Housing &amp; Welfare</b></p> <p>An increasing number of residents are being affected by a combination of welfare reforms and increasing housing costs. This increases the risk of residents becoming homeless, leading to their health and wellbeing being affected, which would subsequently increase the cost pressures on the Council.</p> <p>A lack of affordable accommodation increases the Council's reliance on expensive bed and breakfast, although following the purchase of temporary emergency accommodation we are expecting this to stabilise</p> <p>The increasing reliance on local charities and voluntary sector support may also impact on their sustainability</p> <p><i>Note: SR2 and SR3 will be managed under an amalgamated risk from Q1 2018/19</i></p>	<b>Yellow</b>
<b>SR3</b>	<p><b>Homelessness Reduction Bill</b></p> <p>The Homelessness Reduction Bill, expected to go-live on 1 April 2018, will place an obligation on local authorities to provide a written personal housing plan to anyone that approaches the authority within 56 days of potential homelessness. Local authorities have a duty to keep the plan updated, and if homelessness is not avoided, have a further 56 day duty to continue working on the plan with the applicant; in many cases this will involve providing housing during the period.</p> <p>As a result, we expect a marked increase in casework, which has resource implications. As well as this, we also expect an increase in the number of households that we have a statutory obligation to accommodate.</p> <p><i>Note: SR2 and SR3 will be managed under an amalgamated risk from Q1 2018/19</i></p>	<b>Green</b>
<b>SR4</b>	<p><b>Gatwick airport</b></p> <p>The Government has announced that its preferred option for additional runway capacity in the south east is that it should be provided at London Heathrow. Consultation on a National Policy Statement (NPS) for the new runway is taking place in early 2017/18, following which a final decision will be made by Government and the airport operator will be able to submit a planning application.</p> <p>Given the controversy associated with a proposal of this scale, until national policy is formalised and planning permission granted, there will continue to be uncertainty about future plans for, and impacts on, Gatwick</p>	<b>Green</b>

Ref no	Risk description 2017/18	Risk Rating
	<p>Airport. It is also noted that the current legal agreement not to build a second runway at Gatwick expires in 2019.</p> <p>In the meantime, Gatwick Airport is developing its own proposals for expansion under a one-runway scenario. As a major local business and employer, and given its proximity to the borough and the scale of passenger movements, it will be important to influence these proposals.</p> <p><i>Note: SR4 will be closed and part incorporated into a new risk on 'Economic Prosperity' from Q1 2018/19.</i></p>	
<b>SR5</b>	<p><b>Development Management Plan</b></p> <p>Following the Regulation 18 consultation in 2016/17, in 2017/18 the draft Development Management Plan will be prepared, and further consultation (Regulation 19) undertaken prior to submission to the Secretary of State for Examination.</p> <p>The process for the allocation of specific sites for development will be politically sensitive and could result in negative publicity, impacting on the Council's reputation.</p> <p>Formal allocation of development sites through an adopted Local Plan will help the Council manage where and how development goes ahead, and will minimise the risk of speculative (particularly greenfield) planning applications.</p> <p>It is important that the draft DMP complies with the national planning policies: at the Examination a planning inspector will need to be satisfied that the plan is sound (evidence based, deliverable and consistent with national policy). If the draft DMP is found to be not sound, the adoption of the plan will be delayed until issues are rectified.</p>	<b>Amber</b>
<b>SR6</b>	<p><b>Property Development</b></p> <p>In order to support the Council's financial sustainability, we will need to invest further in property to generate revenue income. The Council will need a well-defined and resourced Asset Management Plan to support this activity, with a programme of investments, developments and acquisitions. This may be carried out by the Council, the property company, or as part of joint working arrangements within and outside the Borough.</p> <p>Expanding our activities in this area increases our exposure to the property market fluctuations and the normal development risks. These risks may be exacerbated by Brexit, as markets react to the negotiations that are ongoing following the triggering of Article 50.</p> <p>Failure to invest in property will result in the Council not delivering the required savings and income to deliver services and to fulfil our corporate objectives.</p>	<b>Amber</b>

<b>Ref no</b>	<b>Risk description 2017/18</b>	<b>Risk Rating</b>
<b>SR7</b>	<b>Cyber security</b>  Computer Viruses including new Trojans such as Ransomware are being released onto the Internet at an ever increasing rate. More sophisticated approaches and new variants suggest that on occasions it is possible that viruses will get through corporate defences and could be activated by unsuspecting ICT consumers. The effects of activating a virus are varied but at their worse the results can be destructive, service affecting or can leave the organisation with data protection issues.	<b>Amber</b>
<b>SR8</b>	<b>The UK's exit from the European Union</b>  The 'leave' result of the referendum on the United Kingdom's continued membership of the European Union has created a significant degree of uncertainty for the economy and the governance of the country.  The results of this uncertainty are multifaceted and interlinked, but may include a generally weakened economy, a weakened currency, reduced consumer confidence and delays in investment decisions. The Government and the Bank of England are likely to adjust fiscal and monetary policies in response which could, in turn, have further impacts on markets and the economy. This could result in changes in the rate of inflation, interest rates, property prices and devolution deals.  <i>Note: SR8 will be closed and part incorporated into a new risk on 'Economic Prosperity' from Q1 2018/19.</i>	<b>Yellow</b>
<b>SR9</b>	<b>Partner decisions</b>  Funding pressures are impacting the whole public sector, not just RBBC. Decisions by other public service providers in our area may impact on our residents, businesses, and directly on RBBC itself. For example, we receive recycling credits from SCC worth circa £1m. SCC are the social care provider, and reductions in funding may impact on the service and support that is provided to our communities, and RBBC may need to increase services or support as a result.	<b>Yellow</b>
<b>SR10</b>	<b>Recycling credits</b>  There is a risk that Surrey County Council and the Surrey Waste Partnership could withdraw recycling credits which would have a further negative impact on the council's budget.	<b>Amber</b>
<b>SR11</b>	<b>Data Protection and General Data Protection Regulations (GDPR) ) Now the Data Protection Bill passing through Parliament</b>  We have always been aware of the potential risk of personal information being disclosed in breach of the Data Protection Act 1998 (DPA) and the associate penalty notice and other enforcement actions that would have a negative impact on the Council reputation. On 28 May 2018. The General Data Protection Regulations (GDPR) will replace the DPA and represents the biggest change to data protection law for 20 years. The implications of	<b>Amber</b>

Ref no	Risk description 2017/18	Risk Rating
	breaching the GDPR are potentially significant, with some breaches carrying fines of up to 4% of global annual turnover or 20 million Euros.	

### Operational Risks (Exception reporting)

This report highlights those risks that have been rated as RED. These are the risks where management are focusing their attention and immediate actions have been identified and plans are in place to reduce risk as a priority.

The following risk was rated as RED in Quarter 4:

Ref no	Risk description 2017/18	Risk Rating
OR3	<b>Price Fluctuation in the Recycling Market</b>  The Council achieves significant income from the sale of material for recycling. The market for recycling feedstock is international with material being shipped to emerging economies (India, China). Price fluctuations are beyond the control of this Authority and can be sudden and involve significant sums of money. On occasion prices may be negative i.e. processors may charge a gate fee.	<b>Red</b>

### eMembers room information

Full descriptions of these strategic risks and their controls are available in the eMembers room.

## Section 3

### INTERNAL AUDIT

#### Background

**The annual Audit Plan is agreed by the Overview and Scrutiny Committee.**

#### SCORING

RED	<p>Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.</p> <p>Urgent action is needed to strengthen the control framework to manage the identified risk(s).</p>
AMBER/ RED	<p>Taking account of the issues identified, the Authority can take partial assurance that the controls to manage this risk are suitably designed and consistently applied. Action is needed to strengthen the control framework to manage the identified risk(s).</p>
AMBER/ GREEN	<p>Taking account of the issues identified, the Authority can take reasonable assurance that the controls in place to manage this risk are suitably designed and consistently applied.</p> <p>However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).</p>
GREEN	<p>Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage the identified risk(s) are suitably designed, consistently applied and operating effectively.</p>

## Headline Information

During the last quarter 9 internal audits have been completed:

Name of Audit	score
Capital Accounting and Fixed Assets	Green / Amber
Car Parking	Green / Amber
Corporate Governance	Green
Digital Channel Shift	Green
IT Security Review	Not applicable
Main Accounting & General Ledger	Green / Amber
Payroll	Green
Risk Management	Green
Southern Building Control Partnership	Amber / Red

## Recommendations with a high priority

*Southern Building Control Partnership*

Internal Audit noted that assurances were weak that migrated data from legacy systems within RBBC and MVDC accurately and completely transferred to the Salesforce system. This was in part due to incomplete or incorrect datasets being imported. At the time of the audit, work was ongoing to cleanse, verify and validate this data.

## Management action

*Southern Building Control Partnership*

Officers have confirmed that migration data has now been fully validated and signed off (March 2018)

## eMembers room information

Copies of the individual audit reports are available on eMembers.