

Public Document Pack

8 June 2018

Our Ref Finance, Audit and Risk
Committee/18.6.18

Your Ref.

Contact. Ian Gourlay (01462) 474403

Direct Dial. (01462) 474403

Email. ian.gourlay@north-herts.gov.uk

To: Members of the Committee: Councillor Terry Hone, Councillor Simon Harwood, Councillor Ian Albert, Councillor Kate Aspinwall, Councillor Jim McNally, Councillor Ian Moody and Councillor Terry Tyler.

Substitutes: Councillor Steve Jarvis, Councillor Ben Lewis, Councillor Helen Oliver and Councillor Janine Paterson.

You are invited to attend a

MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE

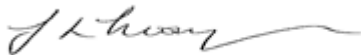
to be held in the

**FIRST FLOOR ROOMS 2/3, COUNCIL OFFICES, GERNO
ROAD, LETCHWORTH GARDEN CITY**

On

MONDAY, 18TH JUNE, 2018 AT 7.30 PM

Yours sincerely,



Jeanette Thompson
Service Director – Legal and Community

Agenda

Item		Page
1.	APOLOGIES FOR ABSENCE	
2.	MINUTES - 21 MARCH 2018 To take as read and approve as a true record the Minutes of the meeting of this Committee held on 21 March 2018.	(Pages 1 - 10)
3.	NOTIFICATION OF OTHER BUSINESS Members should notify the Chairman of other business which they wish to be discussed by the Committee at the end of the business set out in the agenda. They must state the circumstances which they consider justify the business being considered as a matter of urgency. The Chairman will decide whether any item(s) raised will be considered.	
4.	CHAIRMAN'S ANNOUNCEMENTS Members are reminded that any declarations of interest in respect of any business set out in the agenda, should be declared as either a Disclosable Pecuniary Interest or Declarable Interest and are required to notify the Chairman of the nature of any interest declared at the commencement of the relevant item on the agenda. Members declaring a Disclosable Pecuniary Interest must withdraw from the meeting for the duration of the item. Members declaring a Declarable Interest, wished to exercise a 'Councillor Speaking Right', must declare this at the same time as the interest, move to the public area before speaking to the item and then must leave the room before the debate and vote.	
5.	PUBLIC PARTICIPATION To receive petitions and presentations from members of the public.	
6.	ANNUAL EXTERNAL AUDIT AND CERTIFICATION FEES 2018/19 REPORT FROM ERNST AND YOUNG To consider the Annual External Audit and Certification Fees 2018/19.	(Pages 11 - 16)
7.	THE EFFECTIVENESS OF THE FINANCE, AUDIT AND RISK COMMITTEE 2017/18 REPORT OF THE SHARED INTERNAL AUDIT SERVICES CLIENT MANAGER To consider the effectiveness of the Finance, Audit and Risk Committee 2017/18.	(Pages 17 - 26)
8.	ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT REPORT 2017/18 REPORT OF THE SHARED INTERNAL AUDIT SERVICES CLIENT MANAGER To consider the Annual Assurance Statement and Internal Audit Report 2017/18.	(Pages 27 - 52)

- 9. SHARED INTERNAL AUDIT SERVICES - UPDATE ON PROGRESS AGAINST THE 2018/19 AUDIT PLAN** (Pages 53 - 68)
 REPORT OF THE SHARED INTERNAL AUDIT SERVICES CLIENT AUDIT MANAGER
- To consider an update on the progress of the Shared Internal Audit Services (SIAS) against the 2018/19 Audit Plan.
- 10. RISK MANAGEMENT UPDATE AND ANNUAL REPORT ON RISK MANAGEMENT 2017/18** (Pages 69 - 90)
 REPORT OF THE SERVICE DIRECTOR – RESOURCES
- To consider the Risk Management Update and Annual Report on Risk Management 2017/18.
- 11. FINANCE, AUDIT AND RISK COMMITTEE ANNUAL REPORT 2017/18** (Pages 91 - 100)
 REPORT OF THE COMMITTEE CHAIRMAN
- To consider the Finance, Audit and Risk Committee Annual Report 2017/18.
- 12. DRAFT ANNUAL GOVERNANCE STATEMENT 2017/2018** (Pages 101 - 112)
 REPORT OF THE SENIOR POLICY OFFICER
- To consider the Draft Annual Governance Statement 2017/18.
- 13. REVENUE BUDGET OUTTURN 2017/18** (Pages 113 - 124)
 REPORT OF THE SERVICE DIRECTOR - RESOURCES
- To consider the Revenue Budget Outturn 2017/18.
- 14. CAPITAL PROGRAMME OUTTURN 2017/18** (Pages 125 - 146)
 REPORT OF THE SERVICE DIRECTOR - RESOURCES
- To consider the Capital Programme Outturn 2017/18.
- 15. ANNUAL TREASURY MANAGEMENT REVIEW 2017/2018** (Pages 147 - 164)
 REPORT OF THE SERVICE DIRECTOR - RESOURCES
- To consider the Annual Treasury Management Review 2017/2018
- 16. FUTURE MEETING - POSSIBLE AGENDA ITEMS**
 Introduced by the Chairman.

This page is intentionally left blank

Agenda Item 2

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE FOUNDATION HOUSE, ICKNIELD WAY, LETCHWORTH
GARDEN CITY ON WEDNESDAY, 21ST MARCH, 2018 AT 7.30 PM

MINUTES

Present: *Councillors Councillor Terry Hone (Chairman), Ian Albert, John Booth (substitute), Jim McNally and Terry Tyler.*

In Attendance: *Ian Couper (Head of Finance, Performance and Asset Management), Howard Crompton (Head of Revenues, Benefits and IT), Jeanette Thompson (Acting Corporate Legal Manager), Reuben Ayavoo (Senior Policy Officer), Ian Gourlay (Committee and Member Services Manager), Mark Chalkley (Client Audit Manager – Shared Internal Audit Services), Nick Jennings (Shared Anti-Fraud Manager, Shared Anti-Fraud Services), Phil Juhasz (SAF Investigator, Shared Anti-Fraud Services) and Kay Storey (Manager, Govt. & Public Sector, Ernst and Young).*

Also Present: *Councillor Julian Cunningham (Executive Member for Finance & IT).*

70 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors John Bishop and Deepak Sangha. Councillor John Booth was substituting for Councillor Bishop.

71 MINUTES - 22 JANUARY 2018

RESOLVED: That the Minutes of the Meeting of the Finance, Audit and Risk Committee held on 22 January 2018 be approved as a true record of the proceedings and be signed by the Chairman.

72 NOTIFICATION OF OTHER BUSINESS

There was no other item of business tabled.

73 CHAIRMAN'S ANNOUNCEMENTS

- (1) The Chairman announced that Members of the public and the press may use their devices to film/photograph, or do a sound recording of the meeting, but he asked them to not use flash and to disable any beeps or other sound notifications that emitted from their devices. In addition, the Chairman had arranged for the sound at this particular meeting to be recorded; and
- (2) The Chairman advised that, in line with the Code of Conduct, any Declarations of Interest should be declared immediately prior to the item in question.

74 PUBLIC PARTICIPATION

There was no public participation.

75 EXTERNAL AUDIT UPDATE

The Manager (Govt. & Public Sector), Ernst & Young, presented an External Audit Update report.

The Manager (Govt. & Public Sector) drew attention to the significant changes in statutory deadlines for the audit of accounts for the 2017/18 Financial Year, with the Council needing to prepare draft accounts by 31 May 2018 and publish audited accounts by 31 July 2018. She highlighted the fact that Ernst and Young would therefore need good quality working papers to enable them to meet these deadlines, as well as access to key staff throughout the process and complete and prompt answers to audit questions.

The Manager (Govt. & Public Sector) had met with the NHDC Finance Team to discuss how some of the work could be brought forward. Some of that work had already been carried out in January 2018, and Ernst and Young had enabled certain key staff at NHDC to interface with their IT system for information exchange in order to speed up the process.

The Manager (Govt. & Public Sector) referred to the timetable contained in the report, which outlined the areas of work already completed. Ernst and Young would be carrying out work on valuation of the Council's fixed assets in April 2018. Further work would also be undertaken on an evaluation of transactions carried out on Integra 2 (the Council's upgraded financial management system). The year-end audit would be carried out in the first three weeks of July 2018.

The Manager (Govt. & Public Sector) commented that should major problems be encountered with the audit then Ernst and Young reserved the right to discuss this with the Section 151 Officer (for NHDC the Head of Finance, Performance and Asset Management) with a view to pulling the Audit Team out and returning at a later date. The Chairman asked that he be advised of this matter should it occur.

In response to a Chairman' question, the Head of Finance, Performance and Asset Management confirmed that he had plans and processes in place to ensure that the accounts were completed by the end of May 2018, and that resources would be in place to answer all of the audit enquiries by the end of July 2018.

RESOLVED: That the External Audit Update report be noted.

REASON FOR DECISION: To enable the Committee to comment on the External Audit Update report.

76 LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING

The Manager (Govt. & Public Sector), Ernst & Young, presented the latest Local Government Audit Committee Briefing Paper.

The Manager (Govt. & Public Sector) stated that the paper highlighted some of the Government, economic and environmental issues arising which could impact on local authorities. She referred to Page 8 of the document, where some key questions were set out for consideration by audit committees.

The Committee considered the key questions and responded as follows:

Has your local Authority considered the changes to council tax flexibilities into the 2018–19 budget and the impact of changes to business rate retention into your Medium Term Financial Strategy?

The Committee noted that, as part of the budget setting process, the Council Tax had been increased by 2.99% in line with the Medium Term Financial Strategy. In relation to Business Rates retention, the Council continued to forecast its business rates in come in line with the business rates baseline, which was a prudent estimate.

Has your local authority been affected by the collapse of Carillion plc? How have contingency plans been implemented to maintain public services? What (if any) is the local authority's financial exposure to this event?

The Council had no contracts with Carillion plc or any of its sub-contractors. The Council continued to review all contracts, in order to benefit the Council and be rewarding to contractors.

Has your local authority included in its budget any likely increases of employee wages above 1%?

A 3% forecast increase in employee wages had been included in the budget for 2018/19 and 2019/20. Beyond those years, an ongoing annual 2% increase had been forecast.

Has your Authority considered how IFRS 15 might impact your revenue streams?

The Council was not expecting any impact on its revenue streams of IFRS 15, but would be keeping the matter under review.

How has the local authority prepared for the accelerated accounts closedown timetable for 2017–18?

Yes. As referred to in Minute 75 above.

Has the Authority considered the implications of the new GDPR, and is the Authority confident that it comply with its requirements when it comes into force?

The Council's IT Team had been working on this project for several months, carrying out data audits to ensure compliance. Training sessions had been arranged in April 2018 for both Members and officers.

On a separate matter, a Member asked if Ernst and Young were intending to hold any further training seminars for Audit Committee Members. The Manager (Govt. & Public Sector) replied that the seminars had been successful and that there were plans to organise others, probably two a year. She agreed to advise the Committee Clerk as soon as future dates had been firmed up.

RESOLVED: That the Local Government Audit Committee Briefing Paper be noted.

REASON FOR DECISION: To enable the Committee to comment on the Local Government Audit Committee Briefing Paper.

77 SHARED INTERNAL AUDIT SERVICES - UPDATE ON PROGRESS AGAINST THE 2017/18 AUDIT PLAN

The Client Audit Manager (SIAS) presented an update report on progress against the 2017/18 Audit Plan.

The Client Audit Manager advised that, since the issue of the report, four more draft audit reports had been issued. Paragraph 2.4 of the report summarised the Medium Priority Recommendations. He drew Members' attention to the one High Priority recommendation in respect of Cyber Security Incident Management.

The Client Audit Manager referred to the two audits which had been cancelled and the time budgets returned to contingency, as set out in Paragraph 2.8 of the report. Some of these days had been allocated to the Fees and Charging Benchmarking and Monitoring Officer Review audits.

Wednesday, 21st March, 2018

The Client Audit Manager updated the performance figures set out in the table at Paragraph 2.13 of the report. 89% of planned days had been delivered (340.5 days out of 382 days) and 81% of planned projects had been completed (29 out of 36), both of which were significant improvements upon the March figures reported in the previous year (2016/17). He confirmed that enough work would be completed by the end of the year in order to enable SIAS to provide an annual assurance opinion, and work not completed by 31 March 2018 would be prioritised for completion in April/May 2018, in time for the closure of accounts.

The Client Audit Manager explained that Appendix A to the report outlined progress against the 2017/18 Audit Plan; Appendix B provided the Committee with the detail of the Cyber Security Incident Management High Priority recommendation; and Appendix C was the timetable of Audit Plan items for 2017/18.

In respect of the Cyber Security Incident Management High Priority recommendation, the Head of Revenues, Benefits and IT confirmed that the required procedure document would be drafted by the implementation date of 31 May 2018.

With regard to the Income Generation audit report, a Member commented that this contained a great deal of useful information. He therefore asked that this be circulated to all Members of the Committee, with a view to a possible discussion of the paper at the next meeting.

RESOLVED:

- (1) That the Internal Audit Progress report for the period to 2 March 2018 be noted;
- (2) That the proposed amendments to the 2017/18 Annual Audit Plan be noted; and
- (3) That the implementation status of high priority recommendations be noted.

REASON FOR DECISION: To allow the Committee to review, comment and challenge the current status of the Internal Audit Plan.

78 NHDC AUDIT PLAN FOR 2018/19

The Client Audit Manager (SIAS) presented a report in respect of the proposed North Hertfordshire District Council Audit Plan for 2018/19.

The Client Audit Manager advised that the methodology for the Plan contained elements of National and Local Horizon Scanning; consideration of risk management arrangements; gathering intelligence from officers; and best practice from other SIAS partner authorities. The Client Audit Manager had discussed potential areas of audit coverage with each Head of Service and had agreed scopes for the various projects proposed for 2018/19 audits.

The Client Audit Manager referred to the 10% reduction in audit days for 2018/19, both for NHDC and the other SIAS partners. The table at Paragraph 2.8 of the report showed the estimated allocation of the total number of audit days for 2018/19 compared to 2017/18.

The Client Audit Manager commented that the SIAS Performance Indicators for 2018/19 remained the same as for 2017/18. Appendix A to the report detailed the proposed audits for 2018/19, including the proposed outline scopes and reasons for inclusion in the Plan. This was always subject to change, with any significant changes being brought to the attention of the Committee. Appendix B showed the reserve audit list and Appendix C showed the audit start dates agreed with management.

The Client Audit Manager answered a number of Members' questions on the Plan.

RESOLVED: That the proposed NHDC Internal Audit Plan for 2018/19 be approved.

REASON FOR DECISION: To ensure that the Committee was aware of the proposed NHDC Internal Audit Plan for 2018/19.

79 SHARED ANTI-FRAUD SERVICES (SAFS) - PROPOSED ANTI-FRAUD PLAN FOR 2018/19

The Shared Anti-Fraud Service (SAFS) Manager presented a report in respect of the proposed SAFS/NHDC Anti-Fraud Plan 2018/19; and a brief update on the 2017/18 Plan.

The SAFS Manager advised that there were two appendices to the report. Appendix A was the Local Government Association Councillor's Workbook on Bribery and Fraud Prevention; and Appendix B was the proposed 2018/19 Action Plan.

In respect of the 2017/18 Plan, the SAFS Manager advised that in the first three quarters 149 cases were reported to SAFS for investigation from staff, the public, data matching and other sources. Of the 75 cases where action had been taken, financial savings of £96,000 and fraud losses of £308,000 had been identified, and a further £54,000 in social security benefit fraud had been identified through joint working with the Department of Work and Pensions (DWP). In addition, the Council would receive 40% subsidy from the DWP for identifying and seeking to recover housing benefit losses. At the time of writing the report, this subsidy would be £94,000 for 2017/18 for NHDC. Paragraph 2.8 of the report summarised one of the successful prosecutions carried out by SAFS.

The SAFS Manager commented that the 2018/19 Plan was similar to the 2017/18 Plan. Whilst it had an emphasis on Revenues and Benefits fraud, the intention was to expand into other service areas. SAFS's fees would be kept at the 2017/18 level, and NHDC would have access to a dedicated full-time Fraud Investigator. There would be a Fraud Awareness e-learning training module for staff and Members. The main difference in the Key Performance Indicators for 2018/19 was an increased target of £150,000 (from £100,000) in the identified value of fraud prevented/detected.

In reply to a question regarding the above KPI target, the SAFS Manager stated that the target had been set at this level as a baseline across the various SAFS partner authorities. The high performance of NHDC in this area during 2017/18 was in the large part due to the skills of an experienced Benefits Assessor who had identified a large number of fraud cases due to close liaison with SAFS and an extensive data matching exercise.

The Committee felt that the Local Government Association (LGA) Councillors' Workbook on Fraud and Bribery Prevention 2017 document was an easy to follow guide and agreed that it be sent to all Members of the Council.

In relation to the amount of fraud loss that was actually recovered, the SAFS Manager undertook to provide a report on this matter every quarter detailing every fraud loss case to the Head of Revenues, Benefits and IT, and then he would be requested to report to the Head of Finance, Performance and Asset Manager as Section 151 Officer on recovery against each of those individual losses.

RESOLVED:

- (1) That the report be noted;
- (2) That the proposed SAFS/NHDC Anti-Fraud Plan 2018/19 be approved; and
- (3) That the Local Government Association (LGA) Councillors' Workbook on Fraud and Bribery Prevention 2017 be noted, and provided to all Members of the Council.

REASON FOR DECISION: To enable the Committee to monitor the progress and development of SAFS and to keep Members advised on current fraud matters.

80 RISK MANAGEMENT UPDATE

The Head of Finance, Performance and Asset Management presented a report which provided an update on Risk Management.

In respect of the Office Accommodation Corporate Risk, the Head of Finance, Performance and Asset Management advised that, in February 2018, Officers had reviewed this risk and reduced the likelihood risk score to "Low" (1). This was to reflect the fact that the project was almost complete, and that staff were already being returned to the District Council Offices. It was agreed that the risk entry should not be closed until a post implementation review had been completed and lessons learned had been captured. This proposed change would move the Office Accommodation risk from a 5 to a 3 on the Risk Matrix.

The Head of Finance, Performance and Asset Management reported that the Waste and Street Cleansing Contract Renewal Corporate Risk (and sub-risks) had also been reviewed. Whilst the scores for a number of the sub-risks had changed, the overall score for the Corporate Risk remained unchanged as an 8 on the Risk Matrix.

Following a recent re-tendering exercise, the Head of Finance, Performance and Asset Management outlined the key changes to the various insurance policies that the Council had in place, as set out in Section 8.4 of the report.

RECOMMENDED TO CABINET: That the reduction in score from a 5 to a 3 of the Office Accommodation Corporate Risk be approved.

REASON FOR DECISION: To comply with the requirements of the Risk and Opportunities Management Strategy.

81 LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT ACTIONS (PLAN 2016/17) UPDATE

The Acting Corporate Legal Manager presented a report which provided an update on the Local Code of Corporate Governance and Annual Governance Statement Actions (Plan 2016/17).

The Acting Corporate Legal Manager referred to a document she had tabled, which showed the amendments from the previous year's Code of Corporate Governance in red as tracked changes. The amendments were relatively minor.

The Acting Corporate Legal Manager advised that it was recommended good practice to review the Code annually, based on the latest CIPFA/SOLACE Guidance. If adopted, the Code would form part of the framework against which the Annual Governance Statement was measured.

The Acting Corporate Legal Manager explained that the report also contained an update on the Annual Governance Statement Action Plan. A significant number of Actions were recommended to be carried forward for the reasons set out in the Plan.

RESOLVED:

- (1) That the Local Code of Corporate Governance 2018, as attached at Appendix A to the report, be approved; and
- (2) That the current position with the Annual Governance Statement Action Plan and any carry forward actions, as set out in Appendix B to the report, be noted.

REASON FOR DECISION: To provide the Committee with assurance that it is following through with its commitment to improve its governance arrangements; and to ensure the Local Code of Corporate Governance remains up to date and relevant.

82 THIRD QUARTER REVENUE MONITORING 2017/18

The Head of Finance, Performance and Asset Management presented a report in respect of Third Quarter Revenue Budget Monitoring for 2017/18.

The Head of Finance, Performance and Asset Management advised that Table 2 in the report provided a summary of the forecast budget variances, as at the end of the Third Quarter. He commented that the item relating to Parking Services (Lines and Signs Maintenance Works) had been amended so that the whole of the £55,000 variance was proposed to be carried forward into 2018/19.

The Head of Finance, Performance and Asset Management referred to Table 3 in the report, which identified the forecast level of unallocated Area Committee funds at the end of 2017/18. It would be a matter for Cabinet to decide whether or not these funds should be carried forward into 2018/19.

The Head of Finance, Performance and Asset Management answered a number of Members' questions regarding the report.

In respect of the Area Committee unallocated funds issue, the Committee agreed that the Cabinet should be requested and encouraged to carry forward these unallocated funds from 2017/18 into 2018/19.

RESOLVED: That the Third Quarter Revenue Budget Monitoring report for 2017/18 be noted.

RECOMMENDED TO CABINET: That Cabinet be requested and encouraged to carry forward the unallocated Area Committee funds from 2017/18 into 2018/19

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Third Quarter Revenue Budget Monitoring report for 2017/18.

83 THIRD QUARTER CAPITAL MONITORING 2017/18

The Head of Finance, Performance and Asset Management presented a report in respect of Third Quarter Capital Monitoring for 2017/18.

The Head of Finance, Performance and Asset Management referred to Table 2 of the report, which included the capital schemes that were planned for 2017/18, but which had been re-profiled into 2018/19. The most significant item related to the waste and street cleansing vehicles for the new joint waste contract commencing in May 2018. The vehicles were being bought by the new waste contractor, but under accounting rules there may be a requirement for the Council to capitalise those costs.

The Head of Finance, Performance and Asset Management drew attention to Table 3 of the report, which showed new schemes or variations to existing schemes. He commented that the purchase of kitchen caddies under the new waste contract made reference to the purchase of caddy liners. This was incorrect, as the expenditure only related to the caddies themselves. Table 4 showed how the Council proposed to fund the Capital Programme. At the end of 2017/18, there was a forecast balance of £11.6Million. However, dependant on the timing of any capital receipts received, it was possible that the Council's capital resources could be exhausted by the end of 2018/19.

RESOLVED: That the Third Quarter Capital Monitoring report for 2017/18 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Third Quarter Capital Programme Monitoring report for 2017/18.

84 **TREASURY MANAGEMENT THIRD QUARTER 2017/18**

The Head of Finance, Performance and Asset Management presented a report in respect of Third Quarter Treasury Management Monitoring for 2017/18.

The Head of Finance, Performance and Asset Management advised that there had been a small change to the amount of forecast interest to be generated by year end ((£324,000, an increase of £4,000 on the working budget). He confirmed that the Council had generated interest of £255,000 during the first nine months of 2017/18.

RESOLVED: That the Third Quarter Treasury Management Monitoring report for 2017/18 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Third Quarter Treasury Management Monitoring report for 2017/18.

85 **STATUTORY GUIDANCE ON LOCAL GOVERNMENT INVESTMENTS**

The Head of Finance, Performance and Asset Management presented a report which provided details of the statutory guidance issued by the Ministry of Housing, Communities and Local Government (MHCLG) on Local Government Investments.

The Head of Finance, Performance and Asset Management advised that previous legislation required that an Authority should have a Treasury Strategy that was approved each year by the Council. Any change to that strategy would require a report back to Council. The new guidance effectively termed this an Investment Strategy and extended the definition of what this should cover to also include:

- non-financial assets that the organisation held primarily or partially to generate a profit; for example, investment property portfolios;
- loans made to a wholly-owned trading company, a joint venture or a third party.

It was noted that the Council had a portfolio of historic investment properties which were generally ground leases on industrial units. It also currently had a loan to Herts Building Control which was to help set it up.

The Head of Finance, Performance and Asset Management stated that the requirements in relation to treasury investments were unchanged and required an assessment of Security, Liquidity and Yield, in that order of importance. For all other investments there was a requirement to show:

- How they contributed towards the objectives of the Council and/or how they contributed towards the place making role of the Council;
- Through quantitative indicators, an assessment of the Council's risk exposure. This should include the rate of return (yield) and where they were funded from borrowing the cost of that debt.

The Head of Finance, Performance and Asset Management summarised the other key new requirements in the Guidance, as set out in Paragraphs 8.4 to 8.11 of the report.

On a separate matter, the Head of Finance, Performance and Asset Management advised the Committee that he was intending to arrange some risk training for new and existing Members, and stated that it would be on either 25 and 26 June 2018.

RESOLVED: That the contents of the report be noted.

REASON FOR DECISION: To familiarise Members with the statutory guidance on Local Government Investments issued by the MHCLG.

86 FUTURE MEETING - POSSIBLE AGENDA ITEMS

The Chairman undertook to further liaise with the Chairman of the Overview and Scrutiny Committee regarding the process for scrutinising and reviewing the emerging Parking Strategy; and similarly for scrutinising and reviewing the activities of the Cabinet Sub-Committee (Local Authority Trading Companies' Shareholder).

The meeting closed at 9.13 pm

Chairman

This page is intentionally left blank

FINANCE, AUDIT AND RISK COMMITTEE

18 June 2018

***PART 1 – PUBLIC DOCUMENT**

AGENDA ITEM No.

6

TITLE OF REPORT: ANNUAL EXTERNAL AUDIT AND CERTIFICATION FEES 2018/19

REPORT FROM ERNST AND YOUNG

The above report is attached.

THIS PAGE IS BLANK

Mr D Scholes
Chief Executive
North Hertfordshire District Council
Council Offices
Gernon Road, Letchworth
Hertfordshire
SG6 3JF

16 April 2018

Ref: SP/KS/201819 fee

Direct line: 020 7951 2000

Email: SPatel22@uk.ey.com

Dear David

Annual Audit 2018/19

I am writing to confirm the audit that we propose to undertake for the 2018/19 financial year at North Hertfordshire District Council.

As you may recall from 2018/19 you were required to make your own arrangements for local auditor appointment under the Local Audit and Accountability Act 2014 for the audit of the accounts and certification of the housing benefit subsidy claim. You opted into the national scheme managed by Public Sector Audit Appointments Ltd (PSAA). We were pleased that PSAA confirmed our appointment as your auditor for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

Indicative audit fee

For the 2018/19 financial year, PSAA has set the scale fee for each audited body that have opted into its national auditor appointment scheme. Following consultation on its Work Programme and Scale of Fees, PSAA has reduced the 2018/19 scale audit fee for all opted-in bodies by 23 per cent from the fees applicable for 2017/18.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements
- Value for money conclusion
- Whole of Government accounts.

For your Council we have set our indicative fee at the PSAA scale fee level, assuming:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- Your officers meet the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- You provide appropriate quality of documentation;
- You operate an effective control environment; and
- You provide prompt responses to our queries and our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2017/18, our audit planning process for 2018/19 will continue as the year progresses. We will review and update fees as necessary through discussion with Ian Couper, within the parameters of our contract.

Summary of fees

	Indicative fee 2018/19 £	Planned fee 2017/18 £	Actual fee 2016/17 £
Total Code audit fee	40,068	52,037	52,037
Certification of housing benefit subsidy claim	N/a	7,524	4,551

PSAA bases the indicative fee for the certification of housing benefit subsidy for 2017/18 on the actual 2015/16 benefit certification fees. The fee for this area of work can fluctuate significantly depending on the findings from our initial testing. We have initially set the certification fee at the indicative fee level. The appointment for a review of the Council's 2018/19 housing benefit subsidy claim is not covered by the PSAA appointment. We recently provided Ian a quote for undertaking this work.

We will separately negotiate and agree in advance with Ian any additional work that we may agree to undertake (outside of the Code of Audit Practice).

Billing

We will bill the indicative audit fee in 4 quarterly instalments of £10,017.

Audit plan

We expect to issue our plan by March 2019. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with Ian and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Finance, Audit and Risk Committee.

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me as your Engagement Lead. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Suresh Patel
Associate Partner

For and on behalf of Ernst & Young LLP

cc. Ian Couper, Head of Finance, Performance and Asset Management
Terry Hone, Chair of the Audit Committee

This page is intentionally left blank

FINANCE, AUDIT AND RISK COMMITTEE 18 JUNE 2018

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 7
----------------------------------	------------------------------------

TITLE OF REPORT: THE EFFECTIVENESS OF THE FINANCE, AUDIT & RISK COMMITTEE 2017-2018

REPORT OF THE SHARED INTERNAL AUDIT SERVICES CLIENT AUDIT MANAGER

The above report is presented on the following pages.

THIS PAGE IS BLANK



Final Internal Audit Report

North Herts District Council – Review of the Effectiveness of the Finance, Audit and Risk Committee 2017/18

May 2018

Issued to:	Members of the Finance, Audit and Risk Committee
Copied to:	Ian Couper – Service Director (Resources) Jeanette Thompson – Service Director (Legal and Community) David Scholes – Chief Executive
Report Status:	Final
Reference:	N137/18/001
Overall Assurance:	Not Applicable

1. EXECUTIVE SUMMARY

Background

- 1.1 Audit Committees are a key element of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 1.2 'The purpose of an audit committee is to provide to those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.' CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2018
- 1.3 The Public Sector Internal Audit Standards states that the 'Head of Internal Audit should participate in the committee's review of its own remit and effectiveness.' For the 2017/18 review, this function was delegated to the SIAS Client Audit Manager responsible for providing internal audit services to North Herts District Council ('the Council').
- 1.4 This review provides Members with an opportunity to reflect on the effectiveness of the Finance, Audit and Risk Committee ('the Committee') during the 2017/18 civic year. Its findings and the Chair's Assurance Statement will inform the Council's 2017/18 Annual Governance Statement.
- 1.5 It also provides assurance to Cabinet on the effectiveness of risk management and internal control arrangements and the processes in place to support the production of the annual accounts.

2. 2017/18 REVIEW

- 2.1 The 2017/18 review has been completed reviewing relevant evidence available.

Governance	
Meetings	<p>The Committee met six times during the 2017/18 civic year. This is fully compliant with the terms of reference for 2017/18, which states 'there shall be six regular meetings in each year'.</p> <p>The Committee met in June, September, November, December (2017), January and March (2018).</p>
Attendance	<p>All meetings were quorate (three voting members). Throughout 2017/18, there were three members that attended under half the meetings of the Committee. For two members attending fewer than 50% of meetings, they had ensured representatives had been sent on their behalf.</p> <p>It is vital that a high level of member attendance is achieved to ensure that the Committee remains effective and has a positive impact across the Council.</p>

	<p>The meetings were attended by various officer and partner representatives. Meetings were attended by the Head of Finance, Performance and Asset Management, with representatives from the Shared Internal Audit Service (SIAS), Shared Anti-Fraud Service (SAFS), EY and other Council services as required.</p> <p>Appropriate officer attendance ensured the Committee and its members received assurance from suitably qualified individuals.</p>
Composition	<p>Membership of the Committee comprises of seven members and complies with the proportionality of seats to political parties of local authority rules as laid out in the Local Government & Housing Act 1989.</p> <p>During 2017/18, the Committee was chaired by Councillor Terry Hone with Councillor Simon Harwood acting as Vice-Chair.</p> <p>There was appropriate independence maintained from other key Council committees.</p>
Terms of Reference and Reporting	<p>The Committees terms of reference are included in the Council's Constitution, most recently reviewed in April 2018.</p> <p>A comparison between the Committee's terms of reference and 'CIPFA's Position Statement: Audit Committees in Local Authorities and Police' 2018 edition, as well as a review of Committee minutes, indicates that all of the expected core functions are discharged by the Committee.</p> <p>At the next review of the terms of reference, the Council should consider including a 'Statement of Purpose' for the Committee (as per the guidance in the CIPFA's 'Audit Committees - Practical Guidance for Local Authorities and Police 2018 edition').</p> <p>The Committee discussed an annual report of the Committees work and achievements at the first meeting of each civic year. Once agreed, this is reported to Full Council to note.</p>
Access and Agenda	<p>The Committee had access to other committees as necessary, as evidenced by referrals to Cabinet.</p> <p>We have noted that the length of the agenda can in some instances, result in extended meetings. It is</p>

	<p>suggested that the Committee examines the format in which information is presented and confirms its appropriateness in terms of focus on the key control, risk and governance issues which underpin successful achievement of the Council's objectives.</p>
--	--

2.2 The effectiveness of the Committee in discharging its core functions are outlined below:

Core Function	
Internal Audit	<p>At its June 2018 meeting, the Committee will receive confirmation that the Council's internal audit service, provided by SIAS, was substantially compliant with the Public Sector Internal Audit Standards during 2017/18. The Committee will be asked to note two areas of known non-compliance (see Annual Assurance Opinion and Internal Audit Annual Report).</p> <p>Throughout the year, the Committee receives and scrutinises quarterly update reports and asks questions as necessary to gain assurance that:</p> <ul style="list-style-type: none"> a) Progress would be sufficient to allow the Head of Internal Audit to provide an annual assurance opinion; and b) High priority recommendations were being implemented in line with the agreed timescales. <p>Members can call in any Senior Officers to provide more in-depth updates on the progress of implementing recommendations. This was not deemed necessary in 2017/18. However, on occasion as Senior Officers have been present at the Committee for other purposes, the Committee has used the opportunity to receive updates from these officers. An example of this was in the March 2018 meeting, the Head of Revenues, Benefits and IT was present and Members had the opportunity to question the status of an outstanding high priority recommendation, resulting in the Committee being satisfied with the progress made.</p> <p>The proposed audit plan was presented to the March 2018 meeting having previously followed an internal planning process.</p> <p>During 2017/18, access to the Committee Chair was not restricted and his views could be sought as and when necessary. This access includes, but is not limited to, the official Chairs Briefing that take place immediately before each meeting.</p>

External Audit	<p>The Council's external auditors, EY, presented all required reports and statements. Clarification was sought on points as appropriate.</p> <p>External audit representatives contributed to the on-going training of members of the Committee by providing relevant update information in-year (Local Government Audit Committee Briefing, March 2018).</p>
Risk Management	<p>Risk management activities at the Council are undertaken by the Performance Improvement Officer overseen by the Controls, Performance and Risk Manager.</p> <p>Officers provide a quarterly update on key risks and an annual report allowed the Committee to raise questions about the management of specific risks or monitor the effectiveness of mitigating actions over time. The Committee did not call any risk owners to meetings in 2017/18.</p>
Annual Governance Statement	<p>A draft of the proposed Annual Governance Statement was presented for comment at the June 2017 meeting, with the final statement tabled at the September meeting.</p> <p>Progress against the implementation of AGS recommendations is monitored.</p>
Anti-Fraud Arrangements	<p>The Council's anti-fraud activity is provided by the Shared Anti-Fraud Service (SAFS). The Committee receives twice yearly updates that allow the Committee to assess progress of the service against the targets set. The March 2018 update demonstrated that progress during 2017/18 was above target.</p>

- 2.3 Non-core functions of the Audit Committee, as defined by the CIPFA guidance, have not been included in this review. An example of this for the Council is Treasury Management.
- 2.4 The paragraphs below outline other requirements of an effective Audit Committee.

Culture and Relationships

- 2.5 All meetings during 2017/18 were held in a free and open manner and were not influenced by party politics, ensuring that the Committee was allowed to operate with the best interests of the Council and communities at the fore. Relationships between Members and officers were supportive with both parties seeking to serve the interests of the Council and the community in their respective roles. As the minutes of meetings show, officers were questioned over the content of reports as appropriate.

Training and Development

- 2.6 During 2017/18, we completed an internal audit relating to Member training and development. This was an advisory review that provided the Council with benchmarking data, an analysis of the current offering and some proposed actions to ensure Members receive sufficient training to undertake their role.
- 2.7 The skills and experiences of all Members were not assessed in 2017/18 nor was induction training undertaken. It is recommended that this exercise is undertaken in 2018/19 and training arranged as necessary.
- 2.8 Members have an open invitation to accompany an auditor during an audit to gain insight into the practicalities of the audit process. During 2017/18 no Members availed themselves of this opportunity.

3. OVERALL AUDIT OPINION

- 3.1 This review has evidenced that the FAR Committee is substantially compliant with the CIPFA best practice approach and consequently is an effective scrutiny body for financial, audit, risk and internal control matters.
- 3.2 This report provides good levels of assurance to support the Council's Annual Governance Statement 2017/18.

4. LOOKING AHEAD

- 4.1 In looking forward to 2018/19 and beyond and given the significant financial and other pressures the Council faces, the importance of an effective Audit Committee is critical. With this in mind, it is our intention to complete a more thorough review of the effectiveness of the Finance, Audit and Risk Committee in future years. It is proposed that this will involve Member engagement and consultation on the work of the Committee.
- 4.2 With this in mind, we advise that the following actions are completed to ensure ongoing compliance with the CIPFA best practice guidance and to maximise the effectiveness of the FAR Committee:

Learning and Development

- All Members complete a skills self-assessment to identify areas of strength and training needs;
- A training programme is developed to address any weaknesses in the Committee or training needs identified;
- An induction programme is implemented for all new members.

Committee Business

- At the next review of the terms of reference, the Council should consider including a 'Statement of Purpose' for the Committee (as per the guidance in the CIPFA's 'Audit Committees - Practical Guidance for Local Authorities and Police 2018 edition').

- Proposed agendas are scrutinised by Democratic Services and the Chair of the Committee to confirm that they are risk-based, focussed and manageable;
- Information is presented to the Committee in a format that allows members to focus on the key risks, internal controls and governance issues which may impact on the Council ability to meet its objectives;
- Members challenge processes, as appropriate, to ensure there is an appropriate balance between risk and control.

Communication

- Regular meetings held outside the committee schedule between the Chair of the Committee and Committee contributors (officers).

Overall Committee Effectiveness

- Members to complete the self-assessment of effectiveness included in CIPFA's 'Audit Committees – Practical Guidance for Local Authorities and Police 2018 edition';
- Members to consider a peer review to assess the effectiveness of the FAR Committee.

This page is intentionally left blank

FINANCE, AUDIT AND RISK COMMITTEE 18 JUNE 2018

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 8
----------------------------------	------------------------------------

TITLE OF REPORT: ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2017-2018

REPORT OF THE SHARED INTERNAL AUDIT SERVICES CLIENT AUDIT MANAGER

The above report is presented on the following pages.

THIS PAGE IS BLANK



North Herts District Council
2017/18 Annual Assurance Statement
and
Internal Audit Annual Report

18 June 2018

Recommendations

Members are recommended to:

Note the Annual Assurance Statement and Internal Audit Annual Report

Note the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP)

Accept the SIAS Audit Charter

Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2017/18

Contents

1. Purpose and Background
 - 1.1 Purpose
 - 1.2 Background

2. Annual Assurance Statement for 2017/18
 - 2.1 Scope of Responsibility
 - 2.2 Control Environment
 - 2.4 Review of Effectiveness - compliance with the PSIAS and QAIP
 - 2.10 Confirmation of independence of internal audit and assurance on limitations
 - 2.11 Assurance Opinion on Internal Control
 - 2.12 Assurance Opinion on Corporate Governance and Risk Management

3. Overview of Internal Audit Activity at the Council in 2017/18

4. Performance of the Internal Audit Service in 2017/18
 - 4.1 Performance Indicators
 - 4.2 Service Developments

Appendices

- A Final position against the Council's 2017/18 Audit Plan

- B Definitions of Assurance Levels and Priority of Recommendations

- C Position against Public Sector Internal Audit Standards as at May 2018

- D Internal Audit Charter 2018/19

1. Purpose and Background

Purpose of Report

1.1 This report:

- Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of North Herts District Council's (the Council) control environment. Reference is made to significant matters and key themes.
- Summarises the audit work that informs this opinion.
- Shows the outcomes of the self-assessment against the Public Sector Internal Audit standards (PSIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
- Shows SIAS's performance in respect of delivering the Council's audit plan.
- Presents the 2018/19 Audit Charter.

Background

1.2 A key duty of the Head of Assurance is to provide an annual opinion on the Council's internal control environment. This opinion informs the conclusions of the Council's Annual Governance Statement.

1.3 The assurance opinion in this report is based on 2017/18 internal audit work which was planned and amended to give sufficient assurance on the Council's management of its key risks.

1.4 SIAS is grateful for the co-operation and support it has received from client officers during 2017/18.

2. Annual Assurance Statement 2017/18

Context

Scope of Responsibility

2.1 Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.

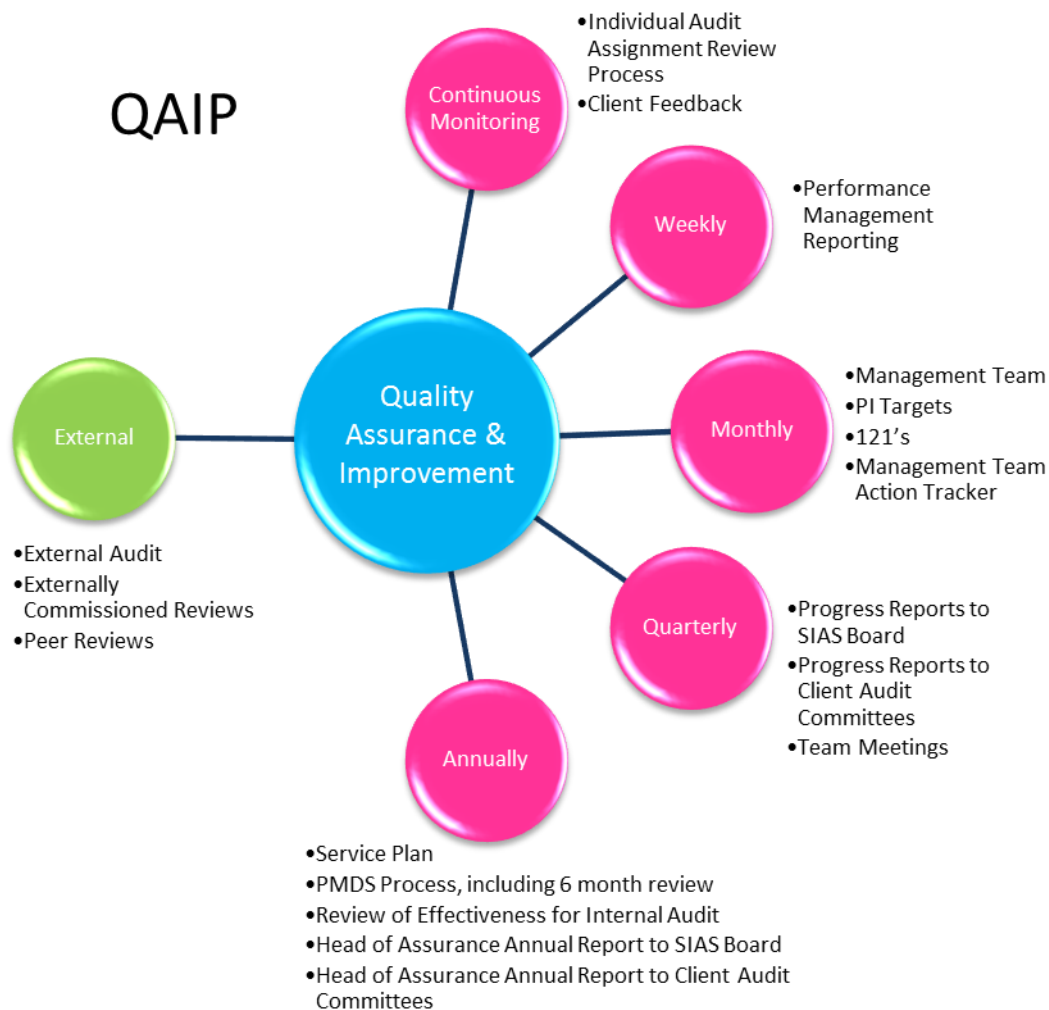
Control Environment

2.2 The control environment comprises three key areas: internal control, governance, and risk management. Together these aim to manage risk to an acceptable level but not to eliminate it.

- 2.3 A robust control environment helps ensure that the Council's policies, priorities and objectives are achieved.

Review of Effectiveness

- 2.4 The Head of Assurance must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion.
- 2.5 As part of a QAIP, a self-assessment was conducted against the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). They promote professionalism, quality, consistency and effectiveness of internal audit across the public sector. They highlight the importance of robust, independent and objective internal audit arrangements to provide senior management with the key assurances needed to support them in both managing the organisation and producing the Annual Governance Statement.
- 2.6 The 2017/18 self-assessment identified 2 areas of agreed non-conformance. These are detailed in Appendix A. There are no significant deviations from Standards which warrant inclusion in the Council's Annual Governance Statement.
- 2.7 The Head of Assurance has concluded, therefore, that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. 'Generally conforms' is the highest rating and means that SIAS has a charter, policies and processes assessed as conformant to the Standards and is consequently effective.
- 2.8 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.
- 2.9 The Head of Assurance confirms that during 2017/18 SIAS operated according to its QAIP with evidence available within the service to support the achievement of each QAIP element.



Confirmation of independence of internal audit and assurance on limitations

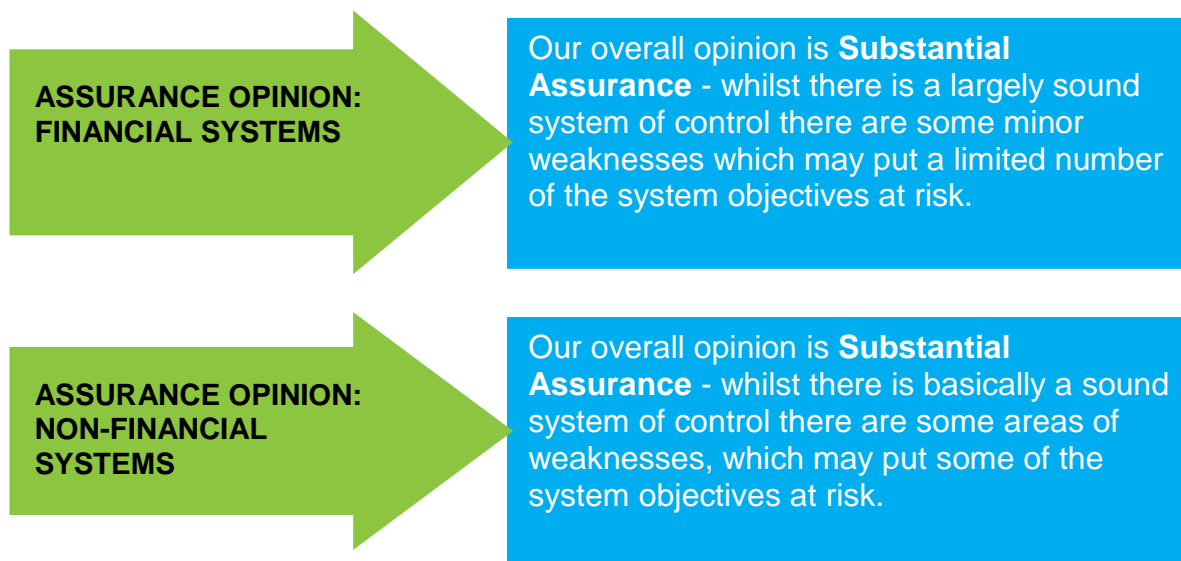
2.10 The Head of Assurance confirms that during the year that:

- No matters threatened SIAS's independence, and
- SIAS was not subject to any inappropriate scope or resource limitations.

Annual Assurance Statement for 2017/18

Assurance opinion on internal control

2.11 Based on the internal audit work undertaken at the Council in 2017/18, SIAS can provide the following opinion on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems.



Assurance opinion on Corporate Governance and Risk Management

- 2.12 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2017/18. Risk management arrangements are also considered during annual audit planning and delivery of individual audit assignments.

**Head of Assurance for the Shared Internal Audit Service
May 2018**

3. Overview of Internal Audit Activity at the Council in 2017/18

- 3.1 This section summarises work undertaken at the Council by SIAS in 2017/18. It highlights any significant internal control matters and opportunities for improvement.
- 3.2 Appendix A shows the final position against the agreed revised audit plan, assurance levels and the number of recommendations made. A summary of assurance levels and recommendations priority is shown in the tables below and compared to 2016/17.

Assurance Level	Number of reports 2017/18 (2016/17 data in brackets)	Percentage of reports 2017/18 (2016/17 data in brackets)
Full	2 (1)	6% (4%)
Substantial	14 (18)	40% (67%)
Moderate	4 (3)	11% (11%)
Limited	1 (0)	3% (0%)
No	0 (0)	0% (0%)
Not Applicable	10 (5)	29% (11%)
Not finalised	4 (N/A)	11% (N/A)
Total	35 (27)	100% (100%)

Recommendation Priority Level	Number of recommendations 2017/18 (2016/17 data in brackets)	Percentage of recommendations made 2017/18 (2016/17 data in brackets)
High	1 (4)	2% (6%)
Medium	23 (24)	43% (32%)
Merits Attention	30 (46)	55% (62%)
Total	54 (74)	100% (100%)

**only includes work undertaken in 2017/18.*

- 3.3 The substantial assurance opinion overall on financial systems (same as 2016/17) has been concluded from the eight financial systems audits finalised and where an opinion has been given. One received full assurance and seven received substantial assurance. No high priority recommendations were made in these audits.
- 3.4 Non-financial systems have been assigned overall a substantial assurance opinion (same as 2016/17). This has been concluded from the thirteen audits where an opinion has been given. One received full assurance, seven

substantial assurance, four moderate assurance and one limited assurance. One high priority recommendation was made in a moderate assurance audit.

- 3.5 Our limited assurance opinion was provided in the Business Improvement Districts (BIDS) audit. This was primarily due to an absence of evidence provided by officers in some areas when requested. This has not affected the overall Annual Assurance Opinion because it does not have significant corporate impact on Council operations. BIDS is a largely self-contained area focussed on the collection of a levy on behalf of local businesses.
- 3.6 The moderate assurance audits for 2017/18 covered a range of different service activities across the Council, as follows:
- a) Corporate Project Management;
 - b) Cyber Risks;
 - c) Tree Surveying; and
 - d) Hitchin Town Hall and Museum - Operation
- 3.7 The high priority recommendation in the Cyber Risks audit relates to the following:
- Defining the Council's cyber security incident management procedures, including the following:
 - a) Procedures for confirming and validating cyber security incidents;
 - b) Actions taken by staff members following a cyber security incident;
 - c) Responsibilities of cyber security incident handlers;
 - d) Actions taken to recover services following a cyber-attack;
 - e) Contact details for key staff and third parties; and
 - f) Arrangements for identifying lessons learned.
- 3.8 There are currently two audits at draft report stage (Fees and Charging Benchmarking and Hitchin Town Hall and Museum Project) and one in fieldwork (Waste Contract – Green Waste Charging). The outcomes from these audits have not been taken into account when determining the overall assurance opinion for the Council. These audits, where an opinion is included, will form part of the 2018/19 Annual Assurance Opinion as they fall within this period.

4. Performance of the Internal Audit Service in 2017/18

Performance indicators

- 4.1 The table below compares SIAS's performance at the Council against the 2017/18 targets set by the SIAS Board.

**Annual Assurance Statement and Internal Audit Annual Report
North Herts District Council**

Indicator	Target 2017/18	Actual to 31 March 2018
1 SIAS Planned Days – percentage of actual billable days delivered against planned billable days	95%	95% (362 / 382)
2 SIAS Planned Projects – actual completed projects to draft report stage against planned completed projects	95%	94% (33 / 35 audit projects)
3 External Auditors' Satisfaction – the Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work	Formal Reliance	Yes
4 SIAS Annual Plan – presented to the March Audit Committee or the first meeting of the financial year should a March committee not meet.	Deadline met	Yes
5 Client Satisfaction - client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	100% (Based on 15 received)
6 Head of Assurance's Annual Report – presented at the first Audit Committee meeting of the financial year.	Deadline met	Yes
7 Number of High Priority Audit Recommendations agreed	95%	100%

Service Developments

4.2 During 2017/18 the development activities for SIAS included:

- Implementing the SIAS restructure in order to streamline the delivery of the Audit Service and meet future client needs.
- Implementing a new time recording and audit plan management database, allowing the service to make cost savings and improve the ability to streamline business processes in the future.
- Continued review of key business processes, including work allocation, to reduce administrative overheads and improve efficiency in delivering the audit plan.

APPENDIX A – FINAL POSITION FOR THE 2017/18 AUDIT PLAN FOLLOWING APPROVED PLAN CHANGES

2017/18 North Herts District Council Audit Plan

Audit Name	Level of Assurance	Recommendations			Plan Days	Audit Progress / Status
		H	M	MA		
Key Financial Systems						
General Ledger	Substantial	0	0	1	10	Final Report Issued*
Debtors	Substantial	0	0	1	10	Final Report Issued
Creditors	Substantial	0	0	1	10	Final Report Issued
Treasury Management	Substantial	0	0	1	6	Final Report Issued*
Council Tax	Substantial	0	0	1	12	Final Report Issued
NDR	Full	0	0	0	10	Final Report Issued
Benefits and Rent Allowances	Substantial	0	0	1	10	Final Report Issued
Payroll	Substantial	0	1	2	10	Final Report Issued
New Integra System Implementation - Consultancy	Not Assessed	0	0	0	10	Final Report Issued
Operational Audits						
Business Improvement Districts (BIDS)	Limited	0	3	1	10	Final Report Issued
Office Accommodation Project	Substantial	0	2	2	14	Final Report Issued
HTH & Museum – Operation	Moderate	0	4	2	14	Final Report Issued
Tree Strategy and Management	Moderate	0	2	4	12	Final Report Issued
Taxi Licensing	Substantial	0	2	2	12	Final Report Issued
Income Generation	Not Assessed	0	0	0	15	Final Report Issued
Commercialisation / Council Company					12	Cancelled**
Paperless Committee System	Not Assessed	0	0	0	10	Final Report Issued
Telephony System – Post Implementation Review	Substantial	0	0	1	10	Final Report Issued

APPENDIX A – FINAL POSITION FOR THE 2017/18 AUDIT PLAN FOLLOWING APPROVED PLAN CHANGES

Outbound Mail – New System					0	Cancelled
Member Training	Not Assessed	0	0	0	10	Final Report Issued*
Fees and Charging Benchmarking					5	Draft Report Issued
Procurement / Contract Audits						
NHLC Refurbishment	Substantial	0	0	3	12	Final Report Issued*
Waste Contract – Green Waste Charging					10	In Fieldwork
Northgate Contracts	Substantial	0	3	1	12	Final Report Issued
Serious and Organised Crime Agency (SOCA) Fraud Checklist	Not Assessed	0	0	0	10	Final Report Issued
Joint Reviews						
Joint Review 1					2.5	Through Year
Joint Review 2					0	Cancelled
Shared Learning					5	Through Year
IT Audits						
Cyber Risks	Moderate	1	3	2	10	Final Report Issued
Asset Management System					0	Cancelled
Anti-Fraud and Governance						
Internal Control issues identified by SAFS					5	Through Year
Contingency and Ad Hoc						
Contingency					18	
Election Support					0	Cancelled
Review of FAR	Not Assessed	0	0	0	3	Final Report Issued

APPENDIX A – FINAL POSITION FOR THE 2017/18 AUDIT PLAN FOLLOWING APPROVED PLAN CHANGES

DFG Capital Grant	Not Assessed	0	0	0	2	Final Report Issued
King George V Playing Fields	Not Assessed	0	0	0	1	Final Report Issued
Monitoring Officer Review	Not Assessed	0	0	0	5	Final Report Issued

Strategic Support

Head of Internal Audit Opinion 2016/17					5	Complete
Audit Committee					12	Complete
Client Meetings					10	Complete
Liaison with External Audit					1	Complete
Progress Monitoring					10	Complete
SIAS Development					5	Complete
2018/19 Audit Planning					10	Complete

2016/17 Projects Requiring Completion

2016/17 Projects requiring completion					2.5	Complete
HTH & Museum Project					11	Draft Report Issued
Careline Operation	Substantial	0	3	1	12.5	Final Report Issued
Appraisal Process	Full	0	0	0	7.5	Final Report Issued
Use of Consultants	Substantial	0	0	3	5	Final Report Issued
Joint Review – Local Authority Trading	Not Assessed	0	0	0	0.5	Final Report Issued
Joint Review - PREVENT	Not Assessed	0	0	0	0.5	Final Report Issued
TOTAL		1	23	30	400	

* At Draft Report stage at 31 March 2018, Final Report issued after year end.

** Cancelled after year end

Key to Assurance Level and Recommendation Priority Levels:

APPENDIX A – FINAL POSITION FOR THE 2017/18 AUDIT PLAN FOLLOWING APPROVED PLAN CHANGES

N/A = Not Applicable

H = High priority recommendations; M = Medium priority recommendations; MA = Merits Attention priority recommendations

APPENDIX B – DEFINITIONS OF ASSURANCE AND PRIORITY LEVELS OF RECOMMENDATIONS

Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
Substantial Assurance	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

Priority of recommendations	
High	There is a fundamental weakness, which presents material risk to the objectives and requires urgent attention by management.
Medium	There is a significant weakness, whose impact or frequency presents a risk which needs to be addressed by management.
Merits Attention	There is no significant weakness, but the finding merits attention by management.

APPENDIX C - PROGRESS AGAINST PUBLIC SECTOR INTERNAL AUDIT STANDARDS AT APRIL 2018 – ACTION PLAN

Section A: Conformance - During 2017/18 all areas apart from those identified in Section B below are conforming.

Section B: Intentional Non-Conformance

Ref	Area of Non-Conformance with the Standard	Commentary	
3.1a	<p>Purpose, Authority and Responsibility</p> <p>Does the board (defined as the Audit Committee) approve decisions relating to the appointment and removal of the Chief Audit Executive (CAE) (Head of Assurance)?</p>	<p>The Director of Resources, Hertfordshire County Council (HCC), in consultation with the Board of the Shared Internal Audit Services approves decisions relating to the appointment and removal of the CAE.</p> <p>This is as provided for in the governance of the Shared Internal Audit Service.</p>	<p>Non-conformance</p> <p>No further action proposed. The current arrangements are considered effective given the shared nature of SIAS.</p>
3.1c	<p>Purpose, Authority and Responsibility</p> <p>Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?</p>	<p>The performance appraisal is carried out by the Director of Resources (HCC).</p>	<p>Non-conformance</p> <p>No further action proposed. The appraisal process was carried out by the Director of Resources (HCC) with input from all partner chief finance officers. The current arrangements are considered effective given the shared nature of SIAS.</p>



Audit Charter 2018/19

1. Introduction and Purpose

- 1.1. Internal auditing is an independent and objective assurance and consulting activity. It is guided by a philosophy of adding value to the operations of an organisation. It assists a council in achieving its objectives and ultimately provides assurance to the public by systematically evaluating and improving the effectiveness and efficiency of risk management, control and governance processes.

2. Scope

- 2.1. This Charter applies to all clients of Shared Internal Audit Service (SIAS).

3. Statutory Basis of Internal Audit

- 3.1. Local government is statutorily required to have an internal audit function. The Accounts and Audit Regulations 2015 require that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 3.2. In addition, a council's Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To fulfil this requirement, the S151 officer relies, amongst other sources, upon the work of internal audit.

4. Role

- 4.1. SIAS internal audit activity is overseen by each client council's committee charged with fulfilling audit committee responsibilities herewith referred to as the Audit Committee. As part of its oversight role, the Audit Committee is responsible for defining the responsibilities of SIAS via this Charter.

4.2. SIAS may undertake additional consultancy activity requested by management. The Head of Assurance will determine such activity on a case by case basis assessing the skills and resources available. Significant additional consultancy activity not already included in the Internal Audit Plan will only be accepted and carried out following consultation with the SIAS Board.

5. Professionalism

5.1. SIAS governs itself by adherence to the Public Sector Internal Audit Standards (PSIAS). These standards include the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (IPPF). They set out the fundamental requirements for the professional practice of internal auditing and the evaluation of the effectiveness of an internal audit function's performance.

5.2. SIAS also recognise the Mission of Internal Audit as identified within the IPPF, 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight' and the Core Principles for the Professional Practice of Internal Auditing, which demonstrate an effective internal audit function, achieving internal audit's mission.

5.3. SIAS's operations are guided by its operating procedures manual as well as applicable, Chartered Institute of Internal Auditors (CIIA) Position Papers, Practice Advisories and Guides, and relevant council policies and procedures, including compliance with the Bribery Act 2010.

5.4. Should non-conformance with the Standards be identified, the Head of Assurance will investigate and disclose, in advance if possible, the exact nature of the non-conformance, the reasons for it and, if applicable, its impact on a specific engagement or engagement outcome.

6. Authority and Confidentiality

6.1. Internal auditors are authorised full, free, and unrestricted access to any and all of a client's records, physical properties, and personnel as required to carry out an engagement. All client employees are requested to assist SIAS in fulfilling its roles and responsibilities. Information obtained during the course of an engagement is safeguarded and confidentiality respected.

6.2. Internal auditors will only use information obtained to complete an engagement. It will not be used in a manner that would be contrary to the law, for personal gain, or detrimental to the legitimate and ethical objectives of the client organisation(s). Internal auditors will disclose all material facts known which if not disclosed, could distort a report or conceal unlawful practice.

7. Organisation

7.1. The Head of Assurance and their representatives, have free and unrestricted direct access to Senior Management, the Audit Committee, the Chief

Executive, the Chair of the Audit Committee and the External Auditor. The Head of Assurance will communicate with any and all of the above parties at both committee meetings and between meetings as appropriate.

- 7.2. The Head of Assurance is line managed by the Director of Resources at Hertfordshire County Council (HCC), who approves all decisions regarding the performance evaluation, appointment, or removal of the Head of Assurance, in consultation with the SIAS Board. Each partner's Section 151 Officer is asked to contribute to the annual appraisal of the Head of Assurance.

8. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 8.1. The Head of Assurance and the SIAS Audit Manager, both suitably experienced and qualified (CCAB and / or CMIIA), are responsible for:
- hiring, appraising and developing SIAS staff in accordance with the host authority's HR guidance
 - maintaining up-to-date job descriptions which reflect the roles, responsibilities, skills, qualifications, and attributes required of SIAS staff
 - ensuring that together, SIAS staff possess or obtain the skills, knowledge and competencies (including ethical practice) needed to effectively perform SIAS engagements
- 8.2. The Audit Committee is responsible for overseeing the effectiveness of SIAS and holding the Head of Assurance to account for delivery. This is achieved through the approval of performance targets set by the SIAS Board and receipt of regular reports. The Audit Committee is also responsible for the effectiveness of the governance, risk and control environment within the Council, holding managers to account for delivery. The Audit Committee may also ensure that there is appropriate communication of, and liaison with, internal audit matters as required from the wider publicly elected Member body.
- 8.3. Senior Management, defined as the Head of Paid Service, Chief Officers and their direct reports, are responsible for helping shape the programme of assurance work. This is achieved through analysis and review of key risks to achieving the Council's objectives and priorities.
- 8.4. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS, including:
- resourcing and financial performance
 - operational effectiveness through the monitoring performance indicators
 - the overall strategic direction of the shared service

9. Independence and Objectivity

- 9.1. No element in the organisation should interfere with audit selection, scope, procedures, frequency, timing, or report content. This is necessary to ensure that internal audit maintains the necessary level of independence and objectivity.
- 9.2. As well as being impartial and unbiased, internal auditors will have no direct operational responsibility or authority over any activity audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that might impair their judgment.
- 9.3. When asked to undertake any additional roles/responsibilities outside internal auditing, the Head of Assurance will highlight to the Audit Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the PSIAS Code of Ethics as well as any relevant requirements set out in other professional bodies to which the CAE may belong. The Audit committee will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.
- 9.4. The Head of Assurance will confirm to the Audit Committee, at least annually, the organisational independence of SIAS.

10. Conflicts of Interest

- 10.1. Internal auditors will exhibit clear professional objectivity when gathering, evaluating, and communicating engagement information. When forming judgments, they will make a balanced assessment of all relevant circumstances and not be influenced by their own interests or the views and interests of others.
- 10.2. Each auditor will comply with the ethical requirements of his/her professional body and proactively declare any potential conflict of interest, whether actual or apparent, prior to the start of an engagement.
- 10.3. All auditors sign an annual declaration of interest to ensure that the allocation of work avoids conflict of interest. Auditors who undertake consultancy work or are new to the team will be prohibited from auditing in those areas where they have worked in the past year. Audits are rotated within the team to avoid over-familiarity and complacency.
- 10.4. SIAS procures an arrangement with an external partner to provide additional internal audit days on request. The external partner will be used to deliver engagements as directed by the Head of Assurance in particular providing advice and assistance where SIAS staff lack the required skills or knowledge.

10.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements or other benefits) the Head of Assurance will investigate and report on the matter to appropriate parties.

11. Responsibility and Scope

11.1. The scope of SIAS encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes (as they relate to the organisation's priorities and objectives) and the promotion of appropriate ethics and values.

11.2. Internal control and risk management objectives considered by internal audit extend to the organisation's entire control and risk management environment and include:

- consistency of operations or programs with established objectives and goals, and effective performance
- effectiveness and efficiency of governance, operations and employment of resources
- compliance with significant policies, plans, procedures, laws, and regulations
- design, reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
- safeguarding of assets

11.3. SIAS is well placed to provide advice and support on emerging risks and controls and will, if requested, deliver consulting and advisory services or evaluate specific operations.

11.4. SIAS is responsible for reporting to the Audit Committee and senior management, significant risk exposures (including those to fraud addressed in conjunction with the Shared Anti-Fraud Service), control and governance issues and other matters that emerge from an engagement.

11.5. Engagements are allocated to (an) internal auditor(s) with the appropriate skills, experience and competence. The auditor is then responsible for carrying out the work in accordance with the SIAS Operating Procedures Manual, and must consider the relevant elements of internal control, the needs and expectations of clients, the extent of work required to meet the engagement's objectives, its cost effectiveness, and the probability of significant error or non-compliance.

12. Role in Anti-Fraud

- 12.1. The SIAS work programme, designed in consultation with Senior Management, the Audit Committee and, where applicable, the Shared Anti-Fraud Service, seeks to help deter fraud and corruption.
- 12.2. In conjunction with the Shared Anti-Fraud Service SIAS shares information with relevant partners to increase the likelihood of detecting fraudulent activity and reducing the risk of fraud to all.
- 12.3. The Head of Assurance should be notified of all suspected or detected fraud, corruption or impropriety so that the impact upon control arrangements can be evaluated.

13. Internal Audit Plan

- 13.1. Following discussion with appropriate senior management, the Head of Assurance will submit a risk based plan to the Audit Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed and demonstrates the priorities of both SIAS (the need to produce an annual internal audit opinion) and those of the organisation. Also included will be any relevant declarations of interest.
- 13.2. The plan will be accompanied by details of the risk assessment approach used and will take into account the organisation's assurance framework. Also shown will be the timing of an engagement, its budget in days, details of any contingency for new or changed risks, time for planning and reporting and a contribution to the development of SIAS.
- 13.3. The plan will be subject to regular review in year, and may be modified in response to changes in the organisation's business, risks, operations, programmes, systems and controls. All significant changes to the approved internal audit plan will be communicated in the quarterly update reports.

14. Reporting and Monitoring

- 14.1. A draft written Terms of Reference will be prepared and issued to appropriate personnel at the start of an engagement. It will cover the intended objectives, scope and reporting mechanism and will be agreed with the client. Changes to the terms of reference during the course of the engagement may occur and will be agreed following consultation with the client.
- 14.2. A report will be issued on completion of an engagement. It will include a reasoned opinion, details of the time period and scope within which it was prepared, management's responses to specific risk prioritised findings and recommendations made and a timescale within which corrective action will be / has been taken. If recommended action is not to be taken, an explanation for this will also be included.

- 14.3. SIAS will follow-up the implementation of agreed recommendations in line with the protocol at each client. As appropriate, the outcomes of this work will be reported to the audit committee and may be used to inform the risk-based planning of future audit work. Should follow-up activity identify any significant error or omission, this will be communicated by the Head of Assurance to all relevant parties. A revised internal audit opinion may be issued on the basis of follow-up activity.
- 14.4. In consultation with senior management, the Head of Assurance will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.
- 14.5. Quarterly update reports to the Audit Committee will detail the results of each engagement, including significant risk exposures and control issues. In addition, an annual report will be produced giving an opinion on the overall control, governance, and risk management environment (and any other issues judged relevant to the preparation of the Annual Governance Statement), with a summary of the work that supports the opinion. The Head of Assurance will also make a statement of conformance with PSIAS, and detail the nature and reasons for any impairments, qualifications or restrictions in scope for which the Committee should seek reassurances from management.

15. Periodic Assessment

- 15.1. PSIAS require the Head of Assurance and the SIAS Board to make arrangements for an independent review of the effectiveness of internal audit undertaken by a suitably knowledgeable, qualified and competent individual or organisation. This should occur at least every five years.
- 15.2. The Head of Assurance will ensure that continuous efforts are made to improve the efficiency, effectiveness, and quality of SIAS. These will include the Quality Assurance and Improvement Programme, client feedback, appraisals and shared learning with the external audit partner as well as coaching, supervision, and documented review.
- 15.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner's Annual Report.

16. Review of the Audit Charter

- 16.1. The Head of Assurance will review this charter annually and will present, to the first audit committee meeting of each financial year, any changes for approval.
- 16.2. The Head of Assurance reviewed this Audit Charter in April 2018. It will next be reviewed in April 2019.

Glossary of Terms

Audit Committee	The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.
Management	Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources in order to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers and their direct reports.
The SIAS Board	The Board that comprises officer representatives from the client authorities and that is responsible for the governance of the SIAS partnership
The Audit Plan	The programme of risk based work carried out by the Shared Internal Audit Service on behalf of its clients
The Public Sector Internal Audit Standards	These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide stakeholders with the key assurances they need to support them both in managing and overseeing the organisation and in producing the annual governance statement.

Note:

For readability, the term 'internal audit activity' as used in the PSIAS guidance has been replaced with 'SIAS' in this Charter.

This page is intentionally left blank

FINANCE, AUDIT AND RISK COMMITTEE 18 JUNE 2018

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 9
----------------------------------	------------------------------------

TITLE OF REPORT: SHARED INTERNAL AUDIT SERVICES - UPDATE ON PROGRESS AGAINST THE 2018 - 2019 AUDIT PLAN

REPORT OF THE SHARED INTERNAL AUDIT SERVICES CLIENT AUDIT MANAGER

The above report is presented on the following pages.

THIS PAGE IS BLANK



North Herts District Council Audit Committee Progress Report

18 June 2018

Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 4 June 2018,
- Note the proposed amendments to the 2018/19 Annual Audit Plan, and
 - Note the implementation status of high priority recommendations.

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.5 Medium Priority Recommendations
 - 2.6 High Priority Recommendations
 - 2.9 Proposed Amendments to the 2018/19 Annual Audit Plan
 - 2.12 Performance Management

Appendices

- A Progress against the 2018/19 Audit Plan

- B Implementation Status of High Priority Recommendations

- C 2018/19 Audit Plan Start Dates Agreed with Management

- D Assurance and Finding Definitions 2018/19

1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2018/19 as at 4 June 2018.
 - Implementation status of previously agreed high priority audit recommendations and request to agree removal of completed actions.
 - Proposed amendments to the 2018/19 Annual Audit report
 - An update on performance management information as at 4 June 2018.

Background

- 1.2 The 2018/19 Annual Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 21 March 2018.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the first report giving feedback on the delivery of the 2018/19 Internal Audit Plan.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

2. Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 4 June 2018, 15% of the 2018/19 Audit Plan days had been delivered.
- 2.2 The following 2017/18 final reports have been issued since 2 March 2018 (cut-off date for the SIAS Update Report for 21 March 2018 FAR Committee):

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
North Herts Leisure Centre Refurbishment	April 2018	Substantial	3 Merits Attention
General Ledger	May 2018	Substantial	1 Merits Attention
Treasury Management	May 2018	Substantial	1 Merits Attention
Creditors	March 2018	Substantial	1 Merits Attention
Debtors	March 2018	Substantial	1 Merits Attention
Benefits	March 2018	Substantial	1 Merits Attention
Northgate Contracts	March 2018	Substantial	3 Medium, 1 Merits

			Attention
Paperless Committee System	March 2018	N/A	N/A – Consultancy Review
Telephony System – Post Implementation Review	January 2018	Substantial	1 Merits Attention
Business Improvement Districts	March 2018	Limited	3 Medium, 1 Merits Attention

2.3 The following 2018/19 final reports have been issued since 1 April 2018:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Careline Alarm Receiving Centre Relocation	May 2018	Good	2 Low
FAR Review of Effectiveness	May 2018	N/A	N/A

2.4 Details on the status of all audits in this year’s plan can be found in Appendix A.

Medium Priority Recommendations

2.5 The table below provides a summary of the medium priority recommendations made in the period:

Audit	Summary of medium priority recommendations
Northgate Contracts	<ul style="list-style-type: none"> ▪ Provision of data to NHDC on actual processing volumes in the period and for the year to date. The data should be used to monitor actuals against quotas, thereby providing foresight on whether levels are decreasing or are likely to be exceeded at contract year end. ▪ Evidence to support the service provision of ad hoc services provided by Northgate (e.g. date, description, quantities). ▪ NHDC should receive periodic assurance on data protection compliance (and satisfactory resolution of issues) from the contractor.
Business Improvement Districts	<ul style="list-style-type: none"> ▪ Clarify the value of funds already paid to the BID company to include reconciliation of invoice values to the requirements of the operating agreements and the confirmation of the period to which the invoices relate. ▪ Update the BIDs Northgate system in a timely manner to ensure an accurate list of properties

	<p>within the BID areas is maintained.</p> <ul style="list-style-type: none"> ▪ Update the recovery process within the operating agreements and ensure compliance with this process.
--	---

High Priority Recommendations

- 2.6 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.
- 2.7 We have not made any new high priority recommendation as a consequence of the work undertaken in the audits detailed in paragraph 2.2 and 2.3 above.
- 2.8 The standard template schedule attached at Appendix B shows the management response, target implementation date and the implementation status of the agreed high priority audit recommendation.

Proposed Amendments

- 2.9 At the request of management, the following audits have been cancelled and the remaining time budgets returned to contingency:
- Commercialisation 17/18 – this audit has been cancelled as the work is no longer required.
- 2.10 As a result of the above, contingency in the 2018/19 Annual Audit Plan for the Council currently stands at 11 days.
- 2.11 At the request of management, the following audit has been added to the audit plan, with the time being taken from contingency:
- CCTV (2 days) – partnership contribution to support the primary audit at Stevenage Borough Council.

Performance Management

Reporting of Audit Plan Delivery Progress

- 2.12 To help the Committee assess the current situation in terms of progress against the projects in the audit plan, we have provided an overall progress update at Appendix C. The table below shows that summary of performance based in the latest performance information reported at Appendix A.

Summary – 4 June 2018			
Status	No of Audits at this Stage	% of Total Audits (33)	Profile to date
Draft / Final Report Issued	4	12%	9% (3/33)
In Fieldwork / Quality Review	3	9%	12% (4/33)
Terms of Reference Issued / In Planning	3	9%	3% (1/33)
Yet to be planned	23	70%	76% (25/33)

Deferred	0
Cancelled	1

2.13 Annual performance indicators and associated targets were approved by the SIAS Board in March 2018.

2.14 As at 4 June 2018, actual performance for North Herts against the targets that can be monitored in year was as shown in the table below:

Performance Indicator	Annual Target	Profiled Target to 4 June 2018	Actual to 4 June 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	20% (69 / 349 days)	15% (53.5 / 349 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	9% (3 / 33 projects)	12% (4 / 33 projects)
3. Client Satisfaction with Conduct of the Audit – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	N/A – No surveys returned
4. Number of High Priority Audit Recommendations agreed	95%	95%	N/A – No high priority recommendations made

2.15 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2018/19 Head of Assurance's Annual Report:

- **5. External Auditors' Satisfaction** – the Annual Audit Letter should formally record whether or not the External Auditors are able to rely upon the range and the quality of SIAS' work.
- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting then the plan should be prepared for the first meeting of the financial year.
- **7. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

APPENDIX A – PROGRESS AGAINST THE 2018/19 AUDIT PLAN AS AT 4 JUNE 2018

2018/19 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS	AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Key Financial Systems						
Integra 2 – General Ledger, Debtors and Creditors				25	Yes	Allocated
Corporate Debt Management				15	Yes	Allocated
Treasury Management				6	Yes	Allocated
Council Tax				10	Yes	Allocated
NDR				10	Yes	Allocated
Benefits & Rent Allowances				10	Yes	Allocated
Payroll				8	Yes	Allocated
Operational Audits						
Green Space Strategy Management				10	Yes	Allocated
S106				10	Yes	1 In Planning
Crematorium				10	Yes	Allocated
Museum Services				10	Yes	0.5 In Planning
Learning Management System				10	Yes	Allocated
Overtime and Expenses				12	Yes	0.5 In Planning
Apprenticeship Levy				10	Yes	Allocated
Homelessness Reduction Act				12	Yes	Allocated
General Data Protection Regulations				15	Yes	14 Quality Review
Careline Alarm Receiving	Good	0	0	2	6	Yes 6 Final Report Issued

APPENDIX A – PROGRESS AGAINST THE 2018/19 AUDIT PLAN AS AT 4 JUNE 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS	AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Centre Relocation						
Home Improvement Agency			2	Yes		Allocated
Original Documentation – Consultancy Review			2	Yes	1.5	In Fieldwork
Capital Programme			10	Yes		Allocated
Health and Safety			6	Yes	5.5	Draft Report Issued
CCTV			2	Yes	2	Draft Report Issued
Procurement / Contracts						
Waste Contract – Client Services			10	Yes		Allocated
Markets – Contract Management			5	Yes		Allocated
Outbound Mail Contract			10	Yes		Allocated
Property Compliance Contract			10	Yes		Allocated
Corporate Governance						
Corporate Governance			12	Yes		Allocated
IT Audits						
Software Licence Management			12	Yes		Allocated
PSN Accreditation			12	Yes		Allocated
Shared Learning and Joint Reviews						
Joint Reviews			2			
Shared Learning			3		1	Through Year
Contingency & Ad Hoc Activity						

APPENDIX A – PROGRESS AGAINST THE 2018/19 AUDIT PLAN AS AT 4 JUNE 2018

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
Contingency & Ad Hoc Activity					11			As Required
Election Support					2			
Review of FAR	Not Assessed				3	Yes	3	Final Report Issued
DFG Capital Grant certification					2	Yes		Allocated
King George V Playing Fields					1	Yes		Allocated
Strategic Support								
Head of Internal Audit Opinion 2016/17					3	Yes	3	Complete
Audit Committee					8	Yes	2	Through Year
Client Meetings					10	Yes	2.5	Through Year
Liaison with External Audit					1	Yes		Through Year
Progress Monitoring					10	Yes	2.5	Through Year
SIAS Development					5	Yes	5	Through Year
2018/19 Audit Planning					6	Yes		Through Year
2016/17 Projects requiring completion								
Commercialisation					1	Yes	1	Cancelled
Waste Contract – Green Waste Charging					9	Yes	1.5	In Fieldwork
Finalisation of Projects					1	Yes	1	Complete
Total - North Herts D.C.					360		53.5	

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	SIAS Comment June 2018	Status of Progress
1.	Cyber Security (March 2018)	<p>We recommend that management define the Council’s cyber security incident management procedure, which should include but not be limited to:</p> <ul style="list-style-type: none"> • The procedures for confirming and validating cyber security incidents • The actions to be taken by members of staff in the event of a cyber attack occurring • The responsibilities of cyber security incident handlers • The actions to be taken to recover a service or services following a cyber attack • The contact details for all relevant members of staff and any third parties involved 	<p>The current practices for addressing cyber security incidents will be documented and put into a defined procedure, which will address the requirements of this recommendation.</p>	IT Technical Services Manager (Cyber Security)	31 May 2018	<p>IT Technical Services Manager has produced a document that captures the high level actions required. This document takes into account industry best practice and is stored on the IT section of the G: drive.</p> <p>Action completed on 23 April 2018.</p>	Implemented	Implemented – to be removed

APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	SIAS Comment June 2018	Status of Progress
		<ul style="list-style-type: none"> The arrangements for identifying lessons learned and reporting on cyber security incidents. <p>The defined procedure should be approved and made available to all relevant members of staff.</p>						





APPENDIX C – 2018/19 AUDIT PLAN START DATES AGREED WITH MANAGEMENT

April	May	June	July	August	September
Review of FAR Final Report Issued	Museum Service In Planning	Original Documentation – Consultancy Review In Fieldwork	S106 In Planning	Green Space Strategy Management	Crematorium
Careline Disaster Recovery Final Report Issued	Overtime and Expenses In Planning		Software Licence Management	DFG Grant Certification	Apprenticeship Levy
CCTV Draft Report Issued	Health and Safety – Fire Evacuation Arrangements Draft Report Issued			Waste Contract – Green Waste Charging 17/18 In Fieldwork	Homelessness Reduction Act
Commercialisation 17/18 Cancelled	General Data Protection Regulations – deferred from April Quality Review				Property Compliance Contract
October	November	December	January	February	March
Integra 2 – General Ledger, Debtors and Creditors	Council Tax	Treasury Management	Capital Programme	Learning Management System	
Corporate Debt Management	NDR	Payroll	Waste Contract – Client Services	Markets – Contract Management	
PSN Accreditation	Benefits	Outbound Mail Contract	King George V Playing Fields	Corporate Governance	

Home Improvement Agency – this has been provisionally planned for quarter 2/3, with a start month yet to be confirmed.

APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2018/19

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level		Definition
Corporate	Critical	 Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
	High	 Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium	 Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory	 Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

FINANCE, AUDIT AND RISK COMMITTEE
18 JUNE 2018

***PART 1 – PUBLIC DOCUMENT**

AGENDA ITEM No.

10

TITLE OF REPORT: RISK MANAGEMENT UPDATE

REPORT OF: THE HEAD OF FINANCE, PERFORMANCE & ASSET MANAGEMENT
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM
COUNCIL PRIORITY: PROSPER AND PROTECT / RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 To provide the Committee with an update on the Corporate risks.

- The Waste sub risk for Depot/ Transfer station has been reviewed and increased from an 8 to a 9 on the Matrix.
- A new Waste sub risk for Food and Garden Waste has been introduced with a score of 5 on the Matrix..
- The overall Score for the Waste & Street Cleansing Contract Renewal remains unchanged at 8.

1.2 To present the Committee with the Annual Report on Risk & Opportunities Management.

2. RECOMMENDATIONS

2.1 That the Committee notes and refers the changes in the Corporate risks to Cabinet

2.2 That the Committee notes and refers the Annual report on Risk & Opportunities Management to Cabinet and then Full Council.

3. REASONS FOR RECOMMENDATIONS

3.1 The responsibility for ensuring the management of the risks is that of Cabinet.

3.2 This Committee has responsibility to monitor the effective development and operation of risk management.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 There are no alternative options that are applicable

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation has been undertaken with SMT and the Risk Management Group (this includes Councillor Cunningham as Risk Management Member 'champion') and these recommendations were supported. Lead Officers discuss these risks with the relevant Executive Member.

6. FORWARD PLAN

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

7. BACKGROUND

- 7.1 At the March meeting of the Finance, Audit and Risk Committee the following changes to the Corporate risks were approved and referred on to Cabinet. These were subsequently approved by Cabinet.

- Office Accommodation reduction in score to 3
- Waste & Street Cleansing Contract renewal sub risk - Northern Transfer station increase in score to 8
- Waste & Street Cleansing Contract renewal sub risk Commingled Waste score increase in score to 7.

- 7.2 The Committee also noted the information regarding the re-tendering of the Councils Insurance arrangements.

8. RELEVANT CONSIDERATIONS

8.1 Corporate Risks

8.1.1 The Corporate Risks summarised in Table 1 have been reviewed and agreed by SMT. Members are able to view the current risk descriptions on Pentana (was Covalent), the Council's performance and risk management software. The changes to the assessment of the current Corporate risks & opportunities are outlined in sections 8.2 and 8.3. Table 1 shows the last date that the risk was reviewed by the risk owner.

Table 1: Risk and Opportunities Matrix – Proposed Changes

Likelihood	3 High	4	7 <ul style="list-style-type: none"> • Income Generation (30.04.18) ↔ • Sustainable Development (2 x Sub Risks) 	9 <ul style="list-style-type: none"> • Local Plan (13.04.18) ↔ • Managing the Council's Finances (30.04.18) ↔ • North Hertfordshire Museum and Hitchin Town Hall Project (08.02.18)
	2 Medium	2	5 <ul style="list-style-type: none"> • Increased Homelessness and Use of B&B (04.04.18) ↔ • Workforce Planning (27.03.18) ↔ 	8 <ul style="list-style-type: none"> • Cyber Risks (19.03.18) ↔ • Waste and Street Cleansing Contract Renewal (9 x Sub Risks)
	1 Low	1	3 <ul style="list-style-type: none"> • Office Accommodation (31.01.18) 	6
		1 Low	2 Medium	3 High
		Impact		

8.2 Waste Sub Risk – Depot/Transfer Station. In February 2018 Officers reviewed the risk and increased the likelihood risk score to “High” (3). This is to reflect the emerging issues relating to the installation of a Fire Suppression System and the Environment Agency permit/licence at the Buntingford Depot. This proposed change will move the Waste sub risk from **8** to **9** on the Matrix. The overall score for the Waste and Street Cleansing Contract renewal remains at **8**.

8.3 Waste sub Risk – Food and Garden Waste.. In February 2018 Officers created a new sub risk for the Waste and Street Cleansing Contract renewal with a score of **5**.. This was to reflect the introduction of charging for Garden Waste which commenced on 9 May 2018.The overall risk score for Waste remains unchanged as an **8** on the Matrix.

8.3.1 Annual report on Risk & Opportunities Management. The annual report has been produced to provide an update to Full Council on the Risk & Opportunities Management at NHDC during the Financial year 17/18, as outlined in the Risk & Opportunities Management Strategy. The report confirms the Council’s ongoing commitment to the management of Risks and Opportunities and outlines :-

- Significant changes to the Corporate risks in 1718.
- Achievements against the Risk Management Action Plan for 1718.
- Proposed Risk Management Action Plan for 1819.

9. LEGAL IMPLICATIONS

9.1 The Committee’s Terms of Reference include “to monitor the effective development and operation of risk management and corporate governance, agree actions (where appropriate) and make recommendations to Cabinet..” This report gives the Committee the opportunity to review and comment on the high level Risks and how they are proposed to be managed.

10. FINANCIAL IMPLICATIONS

10.1 There are no direct financial implications from this report.

11. RISK IMPLICATIONS

11.1 The Risk & Opportunities Management Strategy requires the Finance Audit & Risk Committee to consider regular reports on the Council’s Corporate Risks. Failure to provide the Committee with regular updates would be in conflict with the agreed Strategy and would mean that this Committee could not provide assurances to Cabinet that the Council’s identified Top / Corporate Risks are being managed.

12. EQUALITIES IMPLICATIONS

12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

- 12.2 Reporting on the management of risk provides a means to monitor whether the council are meeting the stated outcomes of the district priorities, its targets or delivering accessible and appropriate services to the community to meet different people's needs. The risks of NHDC failing in its Public Sector Equality Duty are recorded on the Risk Register. The Council's risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risks of not delivering a service in an equitable, accessible manner, and especially to its most vulnerable residents such as those who are homeless

13. SOCIAL VALUE IMPLICATIONS

- 13.1 The Social Value Act and "go local" policy do not apply to this report.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 There are no direct Human Resource implications arising from this report, but it should be noted that there is a separate Corporate Risk relating to Workforce Planning.

15. APPENDICES

- 15.1 Appendix A – the Corporate Risks & Opportunities with changed assessments.
Appendix B – Annual Report on Risk & Opportunities Management 2017/18.

16. CONTACT OFFICERS

Rachel Cooper
Controls, Risk & Performance Manager
rachel.cooper@north-herts.gov.uk
01462 474606

Ian Couper
Head of Finance, Performance & Asset Management
ian.couper@north-herts.gov.uk

17. BACKGROUND PAPERS

- 17.1 The risks held on Pentana the Council's Performance and Risk Management IT system.

This page is intentionally left blank

Top Risk Code & Title	<u>TR59.008 Depot/Transfer Station - CHANGED</u>		
Description	<p>As a result of:</p> <ul style="list-style-type: none"> - The Buntingford Depot/Transfer Station failing to meet Environment Agency requirements, e.g. installation of a fire suppression system - The Environment Agency not issuing the required operating licence - The Environment Agency not agreeing to a further extension to the temporary agreement, which expires in August 2018, to continue operating from the site on the existing basis - Foreclosure on the tenancy agreement, a fire or serious Health & Safety concerns/incident <p>There is a risk that:</p> <ul style="list-style-type: none"> - The Environment Agency closes the site - Operational use of the site is not possible or its use is severely restricted <p>This could lead to:</p> <ul style="list-style-type: none"> - Service delivery and the management of dry recyclates being significantly affected, e.g. waste collections being suspended/reduced - Dry recyclates being sent directly to the recycling facility - Dry recyclates being sent to landfill - Use of alternative transfer sites (either as a formal Business Continuity arrangement or as an emergency reactive solution) 		
Opportunities	- A joint depot/recycling transfer station with EHDC providing economies of scale		
Consequences	<p>As a result of the risks arising:</p> <ul style="list-style-type: none"> - NHDC could require additional unbudgeted resources - NHDC's reputation could be damaged - NHDC could receive an increased number of complaints from residents - NHDC's performance could deteriorate - NHDC's income/identified savings could reduce 		
Service Area	Place		
Lead Officer	Vaughan Watson	Cabinet Member	Executive Member for Waste Management, Recycling & Environment
Current Risk Matrix			
Current Impact Score	3	Current Likelihood Score	3
Date Reviewed	23-May-2018	Next Review Date	23-Jul-2018
Work Completed	<ul style="list-style-type: none"> - Initial risks associated with the contract tendering process managed effectively, e.g. IT, telephone and parking issues all resolved - Urbaser submitted application for the operator licence 		
Ongoing Work	<ul style="list-style-type: none"> - EHDC responsible for financing and managing the installation of a fire suppression system - NHDC/EHDC representatives undertaking updated risk assessments and Business Continuity planning - Investigating options for third party providers to provide alternative transfer sites for dry recyclates and for direct delivery to Pearce 		

Linked Action Code	Linked Action Title	Due Date	Status	Progress of Covalent Action

Top Risk Code & Title	<u>TR59.009 Food and Garden Waste - NEW</u>		
Description	<p>On 16 October 2017, Cabinet approved the introduction of weekly food waste collections and a chargeable garden waste collection service for the new contract, commencing on 9 May 2018.</p> <p>As a result of:</p> <ul style="list-style-type: none"> - NHDC not providing food waste caddy liners, apart from a limited number when the service is introduced - Residents being unwilling to pay the £40 per year charge (initial £35 early bird offer) - Residents being unhappy with the changes, especially in light of consultation feedback - Problems with the payment process and transfer of data to the operating system <p>There is a risk that:</p> <ul style="list-style-type: none"> - The contractor has problems delivering the garden waste collection service, i.e. ensuring residents that have paid have their waste collected and that residents that have not paid do not - Residents fail to utilise the food waste caddies and dispose of food waste in their purple bins - NHDC fails to maintain the required number of residents paying for the chargeable garden waste collection service - Residents dispose of garden waste by alternative (e.g. Household Waste Recycling Centres) or inappropriate (fly-tipping) means <p>This could lead to:</p> <ul style="list-style-type: none"> - NHDC not achieving the income figures specified in the budget - Reduced performance (increased residual waste and decreased recycling rate) - Increased incidents of fly-tipping - A high number of complaints and negative press coverage - Customer contact centres being unable to cope with a high volume of calls - Increased costs and negative impact on future AFM payments 		
Opportunities	<ul style="list-style-type: none"> - NHDC maximises take up of the chargeable garden waste collection service and the associated income - The amount of food waste collected increases (and offsets any reduction in garden waste) 		
Consequences	<ul style="list-style-type: none"> - Recycling performance reduces closer to the legislative requirement of 50% - Anticipated savings are not realised - Negative impact on NHDC's finances - Damage to NHDC's reputation 		
Service Area	Place		
Lead Officer	Vaughan Watson	Cabinet Member	Executive Member for Waste Management, Recycling & Environment
Current Risk Matrix			
Current Impact Score	2	Current Likelihood Score	2
Date Reviewed	23-May-2018	Next Review Date	23-Jul-2018
Work Completed	<ul style="list-style-type: none"> - Cabinet approval for service changes (October 2017) - Contract mobilised - Over 40% take up of the garden waste collection service at contract commencement, which has now increased to 47% (May 2018) 		

Ongoing Work	<ul style="list-style-type: none"> - Implementing Communication Plan relating to service changes/implementation issues - Urbaser conducting a data cleansing exercise to resolve the issues with data transfer to the operating system (they have indicated that the system is currently 99% clean), which resulted in problematic collection issues and a high number of complaints - To address short-term implementation issues, Urbaser has doubled the size of its contact centre and operated additional services/hours to “catch up” - No early indications of an increase in fly-tipping or a detrimental impact on HWRCs
---------------------	---

Linked Action Code	Linked Action Title	Due Date	Status	Progress of Covalent Action

This page is intentionally left blank

**NORTH HERTFORDSHIRE
DISTRICT COUNCIL**



Annual Report on Risk Management

April 2017 to March 2018

**A progress report on Risk and Opportunity Management at
North Hertfordshire District Council**

Annual Report on Risk Management **2017/18**

1. Summary
2. Background
3. Significant Changes to the Corporate Risks
4. Risk Appetite
5. Insurance Review
6. Business Continuity
7. Health and Safety
8. Review of the Risk Management Framework at NHDC
9. Achieving the Significant Actions for 2017/18
10. Significant Actions for 2018/19
11. Conclusion
12. Recommendations
13. Definitions
14. Risk Matrix for Corporate Risks as at 31 March 2018

Annual Report on Risk Management

April 2017 to March 2018

1.0 Summary

- 1.1 To provide Full Council with an annual report on risk and opportunities management at NHDC during the financial year 2017/18, as outlined in the Risk and Opportunities Management Strategy.
- 1.2 This report aims to:
- Confirm the Council's ongoing commitment to the management of risks and opportunities to enable the achievement of its objectives, projects, service delivery and performance management.
 - Summarise the significant changes to the Corporate Risks during the year.
 - Summarise the achievements against the Risk Management Action Plan for 2017/18.
 - Propose a Risk Management Action Plan for 2018/19, in order to maintain the Council's effective and strong risk management processes.

2.0 Background

- 2.1 Throughout 2017/18, the Finance, Audit and Risk Committee received reports on the management of the Council's Corporate Risks at its meetings. Where necessary, the Finance, Audit and Risk Committee then referred these reports to Cabinet.
- 2.2 The Risk and Opportunities Management Strategy was reviewed in November 2017. The review included changing how the Strategy defined the Likelihood categories of Low, Medium and High. There were other revisions made, such as updating the Local Code of Corporate Governance principles, changing references to Covalent to Pentana Performance and referencing the new roles of Deputy Chief Executive and Service Directors.
- 2.3 Throughout the year, the Performance and Risk Officer provided ongoing training and support to officers and Members.
- 2.4 On request, the Performance and Risk Officer is able to provide 1:1 sessions to members of the Finance, Audit and Risk Committee, covering topics such as accessing risk register entries on Pentana Performance, the Council's performance and risk management software.
- 2.5 The Executive Member for Finance and IT, in his role as the Member "Risk Management Champion", has been a regular attendee at Risk Management Group meetings.
- 2.6 The risk management function at both a strategic and operational level is delivered and supported by the Head of Finance, Performance and Asset Management, the Controls, Risk and Performance Manager and the Performance and Risk Officer.

2.7 Hertfordshire County Council (HCC) continues to deliver the Council's insurance services and HCC's Risk and Insurance Manager continues to attend Risk Management Group meetings. This enables the Council to obtain an insight into emerging risks and related issues at HCC and other local authorities in Hertfordshire. The Performance and Risk Officer is a member of ALARM, the national organisation dedicated to supporting risk professionals in the public sector. Membership of ALARM provides training opportunities and enables the sharing of best practice and benchmarking data with other public sector organisations.

3.0 Significant Changes to the Corporate Risks

3.1 There is a single set of Corporate Risks, which Cabinet owns and monitors. These risks require high level of resources to manage and mitigate (such as key projects or risks directly related to the Council's objectives) and need to be managed at a strategic level within the Council.

3.2 At each meeting, officers provided the Finance, Audit and Risk Committee with updates on the assessment and management of the Council's Corporate Risks. Section 14.0 of this report presents a summary risk matrix, which shows the position of each Corporate Risk as at 21 March 2018 (the last meeting of the Finance, Audit and Risk Committee in 2017/18). The following paragraphs summarise the changes that were reported in the past year.

3.3 Deleted Risks

During 2017/18, no Corporate Risks were deleted or changed to service risks only.

3.4 New Risks

During 2017/18, no new Corporate Risks were introduced.

3.5 Risks with Amended Assessments

The regular review of the Council's Corporate Risks includes an assessment of the impact and likelihood scores. Section 13.0 of this report details the definitions used for assessing scores at NHDC, which ensure a consistent approach to risk scoring.

3.6 Increased Homelessness and Use of Bed and Breakfast

On 12 June 2017, officers reported to the Finance, Audit and Risk Committee that the likelihood risk score had been reduced from "High" to "Medium" and this had resulted in a reduction to the overall risk score from "7" to "5". Use of B&B accommodation had consistently reduced over the last year and at the time of the review (March 2017), there were no homeless households being accommodated in B&B. The current level of homelessness within the District was being managed using available temporary accommodation units. However, officers noted that this was a challenging issue and that demand could be unpredictable. Therefore, the risk would be subject to quarterly reviews. On 13 June 2017, Cabinet approved the change to the risk score.

3.7 Office Accommodation

On 12 June 2017, officers reported to the Finance, Audit and Risk Committee that in view of progress made and the Council's commitment to complete the refurbishment, the likelihood risk score had been reduced from "High" to "Medium". This had resulted in a reduction to the overall risk score from "7" to "5". Willmott Dixon commenced work on site on 6 March 2017 and they were undertaking asbestos removal and demolition works, which were on schedule. Some unforeseen issues had been identified during the works and these were being assessed, with any solutions required being financed from existing budgets. On 13 June 2017, Cabinet approved the change to the risk score.

3.8 Waste and Street Cleansing Contract Renewal – Sale of Materials

On 12 June 2017, officers reported to the Finance, Audit and Risk Committee that the likelihood risk score had been reduced from "High" to "Medium" and this had resulted in a reduction to the overall risk score from "9" to "8". A new contract had been procured for mixed recycling services until May 2018 and currently, a saving against budget was predicted. Despite the change to the sub-risk score, the overarching "Waste and Street Cleansing Contract Renewal" Corporate Risk remained at the same assessment level (8). On 13 June 2017, Cabinet approved the change to the risk score.

3.9 Office Accommodation

On 21 March 2018, officers reported to the Finance, Audit and Risk Committee that the likelihood risk score had been reduced from "Medium" to "Low" and this had resulted in a reduction to the overall risk score from "5" to "3". This reflected the fact that the project was almost complete and staff were already being returned to the DCO. The risk entry would not be closed until a post implementation review had been completed and lessons learned had been captured. On 27 March 2018, Cabinet approved the change to the risk score.

3.10 Waste and Street Cleansing Contract Renewal - Northern Transfer Station and Ancillary Facilities

On 21 March 2018, officers reported to the Finance, Audit and Risk Committee that the likelihood risk score had been increased from "Low" to "Medium" and this had resulted in an increase to the overall risk score from "6" to "8". This was due to the re-letting of the residual waste transfer contract by HCC and the need for the depot to be secured for the new waste contract. Despite the change to the sub-risk score, the overarching "Waste and Street Cleansing Contract Renewal" Corporate Risk remained at the same assessment level (8).

3.11 Waste and Street Cleansing Contract Renewal - Commingled Waste

On 21 March 2018, officers reported to the Finance, Audit and Risk Committee that the likelihood risk score had been increased from "Medium" to "High" and this had resulted in an increase to the overall risk score from "5" to "7". This reflected the global economic climate and the impact of China's restrictions on plastics for recycling and the new contract re-letting. Despite the change to the sub-risk score, the overarching "Waste and Street Cleansing Contract Renewal" Corporate Risk remained at the same assessment level (8).

4.0 Risk Appetite

- 4.1 The Council's willingness to accept risks in order to achieve its strategic objectives is known as its 'risk appetite'. The Council has to take risks in order to evolve and deliver its services effectively. The Council's risk management framework ensures that it recognises the risks that accompany new objectives and opportunities, and that it manages them appropriately. The Council has to decide what risks it wants to take and what risks it wants to avoid, although it cannot or should not avoid all risks.
- 4.2 The Council will have a range of different appetites for different risks depending on the circumstances, and these can vary over time. The reporting of the Council's Corporate Risks to Cabinet via the Finance, Audit and Risk Committee, allows the significant risks the Council is prepared to take to be approved and monitored accordingly. Generally, risks with a score of "7" or above will exceed the Council's risk tolerance and will require further controls and mitigation to be put in place. As at 31 March 2018, the following Corporate Risks, which have clear links to the Council's objectives, had a score of "7" or above:
- Local Plan (9)
 - Managing the Council's Finances (9)
 - North Hertfordshire Museum and Hitchin Town Hall Project (9)
 - Cyber Risks (8)
 - Waste and Street Cleansing Contract Renewal (8)
 - Income Generation (7)
 - Sustainable Development (7)

5.0 Insurance Review

- 5.1 The Council's insurance arrangements are handled by Hertfordshire County Council under a shared service arrangement that has resulted in savings for North Hertfordshire District Council.
- 5.2 The Council transfers some financial risks to its insurers. Public liability insurance provides the Council with insurance cover for claims made by the public for personal injury and/or property damage. These are each subject to a £5,000 excess that is charged to the responsible service area. This will increase to £10,000 from 1 April 2018, but it is the first increase since 1993 and it has ensured that the premium does not increase. Areas that have been subject to a claim are identified and wherever possible, action is taken to prevent future damage to property or personal injury.
- 5.3 Eight claims were received from the public relating to the policy year 2017/18. Although claims are made, these are not always successful for the claimant, as payments of compensation are made only when there is a proven legal liability. To date, three of the eight claims relating to minor property damage have been settled. Two injury claims were made and these can take several years to conclude.
- 5.4 The Municipal Mutual Insurance (MMI) Scheme of Arrangement was triggered in 2013 and the Council now has to pay 25% of any new claims dating back to the period that MMI was the Council's insurers (1974 to 1993). The Council's Financial Risks make provision for any new claims and any further levy demands relating to the period that MMI was the Council's insurers.
- 5.5 The Council tendered its insurance portfolio in 2017 (apart from its liability insurance, as this was tendered in 2016). This has led to substantial savings of over £30,000 for the 2018/19 financial year.

6.0 Business Continuity

- 6.1 During 2016/17, the new NHDC Resilience Plan was completed. The Resilience Plan combines NHDC's Emergency Planning and Business Continuity response arrangements into one plan with associated response and support plans.
- 6.2 During 2017/18, the following Business Continuity activities were completed:
- The Business Continuity Service and Infrastructure plans were reviewed and updated where required.
 - A Business Continuity tabletop exercise (Exercise Scarlet) was provided for Senior Managers Group in September 2017 based on the scenario of a small fire in the Council Offices. The objectives of the exercise included to validate the new Resilience Plan in response to a Business Continuity incident and highlight any gaps in resilience planning, to raise awareness of staff roles and responsibilities in a Business Continuity incident and to highlight the critical functions in each department taking part.
 - A Business Continuity workshop took place in October 2017, at which business critical functions were looked at in preparation for a forthcoming review.
 - A review of all Business Impact Assessments was carried out in late 2017/early 2018 to inform an assessment of the critical functions for the Council.
- 6.3 During 2018/19, the Resilience Plan will be updated to take into account changes arising from the return to the DCO and the restructure. The critical functions review will be completed and taken to the Senior Management Team.

7.0 Health and Safety

- 7.1 **Health and Safety Concerns Relating to the DCO Relocation/Office Moves**
Only two major concerns were raised in relation to the moves back into the DCO building. Property Services investigated both issues:
1. Heating/Cooling
There is an ongoing issue around the general temperature throughout the building with staff complaining of constant changing temperatures throughout the day. There is also a heating issue overnight in the Careline Arc.
 2. Light Ingress
The lack of blinds at the windows was causing problems for staff throughout the day. Staff were reporting DSE concerns in respect of glare onto screens etc. Blinds were fitted at the end of May 2018 to resolve the issues.
There were general concerns raised by staff in respect of provision of additional equipment/local adjustments to desks/screens/chairs, which have all now been dealt with.
- 7.2 Having completed the move back to the DCO, DSE assessments were reissued to staff in line with the DSE regulations.

- 7.3 The new fire evacuation procedures for the DCO were introduced on 16 April 2018 with all staff and councillors receiving information on the new procedures and their personal fire evacuation assembly points. A successful fire evacuation test drill was conducted on 26 April 2018 and as part of the new procedures, all floors were searched by our fire marshals and reported as clear with no issues seen. Staff vacated the building within five minutes and they were sent information via the IT text system, as well as verbally at the fire assembly points.
- 7.4 There remains some residual asbestos within the building following the refurbishment. Most of the residual asbestos is within the old bitumen floor adhesive that could not be totally removed on the lift lobbies on all floors. New floor screed and carpeting has now been laid in these areas and this has encapsulated the old bitumen adhesive. The other areas that still contain asbestos are the 6th floor boiler room and the Artex ceilings within the ground floor Customer Services reception and back office. All remaining asbestos has been added to our Asbestos Register and will be monitored in line with our Asbestos Management policy and procedures.
- 7.5 The vacated buildings (Town Lodge/Broadway Offices) are being closed down by Property Services and will be managed as “void” buildings going forward.

8.0 Review of the Risk Management Framework at NHDC

- 8.1 The Shared Internal Audit Service (SIAS) undertook a risk management audit in 2016/17. This provided a substantial level of assurance and highlighted the Council’s commitment to ensuring that effective risk management underpinned all activities and thus supported the Council in achieving its stated objectives. During 2017/18, officers implemented the two “Merits Attention” recommendations that SIAS made, thereby enhancing the risk management processes further.

9.0 Achieving the Significant Actions for 2017/18

- 9.1 The following were considered key actions for 2017/18, in order to implement and develop the risk management framework at NHDC:

Action	Due Date
To implement the two recommendations arising from the SIAS internal audit of risk management	31/05/17
To review the structure of the Risk Management Group following publication of the details of the corporate restructure and to make any required changes to the group’s Terms of Reference	Dependent on the timing of the corporate restructure

- 9.2 During 2017/18, the two “Merits Attention” recommendations arising from the SIAS internal audit of risk management were implemented. These recommendations related to the Performance Improvement Officer’s job description/person specification and communication of relevant risk management responsibilities.
- 9.3 Due to the timing of the corporate restructure, a review of the structure of the Risk Management Group and the group’s Terms of Reference was not undertaken during 2017/18. This action will now be completed during 2018/19.

10.0 Significant Actions for 2018/19

- 10.1 The implementation of the following key actions in 2018/19 will ensure the continued development of the risk management framework at NHDC during the year and beyond:

Action	Due Date
To review the structure of the Risk Management Group following publication of the details of the corporate restructure and to make any required changes to the group's Terms of Reference	31/08/18

11.0 Conclusion

- 11.1 The Council continued to maintain robust risk management practices throughout 2017/18, including the regular review of the Council's Corporate Risks. Changes made to the assessment of Corporate Risks have been summarised earlier in this report. The outcome from the Council's risk management framework is to have a better understanding of the risks and opportunities it faces and to determine the most effective way to manage or exploit them. By employing these techniques, the Council becomes more risk aware.

12.0 Recommendations

- 12.1 Full Council notes the continuing strong processes of the risk management framework at NHDC that supports the Council's governance framework.
- 12.2 Full Council notes the changes to the Council's Corporate Risks during 2017/18.

13.0 Definitions

The following are the definitions of likelihood and impact used in NHDC's Risk Management Framework.

Likelihood

1. Low	Unlikely in the next 12 months.
2. Medium	Possible in the next 12 months.
3. High	Likely in the next 12 months.

Impact

Severity of Impact Guide							
Score	General	Personal Safety	Service Disruption	Financial Loss £	Project Delay	Impact on Stakeholders /Environment	Reputation
1. Low	Consequences will not be severe and associated losses will be small	Minor injury (first aid)	Negligible affect on service provision but may have a more significant cumulative affect if action is not taken	Up to £10,000	Delivery of project delayed by weeks	No impact on stakeholders Minor damage to local environment	Minimal reputation damage (local press article)
2. Medium	Will have a noticeable affect on services	Injury (external medical treatment required)	Will cause a degree of disruption to service provision and impinge on budgets	Medium financial loss £10,000 to £100,000	Delivery of project may be delayed by months	Some impact to stakeholders Moderate damage to local environment	Coverage in national tabloid press
3. High	Can have a catastrophic affect	Serious injury or loss of life	May result in significant financial loss or major service disruption	Major financial loss exceeding £100,000	Delivery of project no longer attainable	Significant impact on stakeholders Major damage to local environment	Extensive coverage in national press/national TV item

14.0 Risk Matrix for Corporate Risks as at 31 March 2018

Summary Matrix

Likelihood	3 High	4	7 <ul style="list-style-type: none"> • Income Generation • Sustainable Development (2 x Sub Risks) 	9 <ul style="list-style-type: none"> • Local Plan • Managing the Council's Finances • North Hertfordshire Museum and Hitchin Town Hall Project
	2 Medium	2	5 <ul style="list-style-type: none"> • Increased Homelessness and Use of B&B • Workforce Planning 	8 <ul style="list-style-type: none"> • Cyber Risks • Waste and Street Cleansing Contract Renewal (8 x Sub Risks)
	1 Low	1	3 <ul style="list-style-type: none"> • Office Accommodation 	6
		1 Low	2 Medium	3 High
		Impact		

This page is intentionally left blank

FINANCE, AUDIT AND RISK COMMITTEE 18 JUNE 2018

*PART 1 – PUBLIC DOCUMENT	AGENDA ITEM No. 11
----------------------------------	-------------------------------------

TITLE OF REPORT: FINANCE, AUDIT AND RISK COMMITTEE – ANNUAL REPORT FOR 2017-2018

REPORT OF THE 2017/18 CHAIRMAN – COUNCILLOR TERRY HONE

The above report is attached.

[A reminder that, as per Paragraph 6.3.1 of the Council's Constitution, the annual report is required to be referred to Full Council for endorsement.]

THIS PAGE IS BLANK

NORTH HERTFORDSHIRE
DISTRICT COUNCIL



North Hertfordshire District Council

Finance, Audit & Risk Committee Annual Report

2017 to 2018

Contents

Introduction from the Chairman

Role of the Committee

Effectiveness

Members of the Committee

Meetings in 2017-18

Main Achievements

Planned work for 2018-19

Introduction from the Finance Audit & Risk Committee Chairman

I am pleased to present the Annual Report of the Finance, Audit & Risk (FAR) Committee which describes the Committee's work and achievements over a 12 month period to March 2018.

I hope this Annual Report demonstrates the importance of the role of the Finance Audit & Risk Committee and the contribution it makes to the Council's overall governance. All meetings are open to the public and I would encourage residents to come along and see the Committee in action.

As well as elected members, the Committee is supported by the Strategic Director of Finance, Policy & Governance; the Head of Finance Performance & Asset Management and the Accountancy Manager. Similarly representatives from the Shared Internal Audit Service (SIAS), the Shared Anti-Fraud Service (SAFS) and our External Auditors (Ernst & Young) regularly attend the meetings of the Committee.

Councillor Terry Hone

June 2018

Role of the Committee

The purpose of the FAR Committee is to provide independent scrutiny and assurance of finance, audit and internal control matters and to provide effective scrutiny of financial matters. This also encompasses corporate governance and risk management.

The Committee reports to Cabinet. The work of the Committee provides assurance to Cabinet and Council on the annual accounts, risk management, audit and internal control.

The Committee also provides the statutory approval of the Council's Statement of Accounts and Annual Governance Statement.

The full Terms of Reference for this Committee are provided in the Council's Constitution (see Section 10).

<https://www.north-herts.gov.uk/home/council-and-democracy/council-constitution>

Effectiveness

The Code of Practice for Internal Audit in Local Government 2006 requires an Audit Committee to review its own remit and effectiveness.

Such a review was carried out by the Audit Manager within the Shared Internal Audit Service who has responsibility for the provision of the Internal Audit Service at North Herts District Council. It was reported to the June 2017 meeting of the FAR Committee. This review concluded that the Committee was operating effectively.

A further review will again be carried out and reported to the June 2018 meeting of the Committee.

Members of the Committee

The following Members were appointed to the Committee for 2017/18:

Councillor Terry Hone	Conservative	Chairman
Councillor Simon Harwood	Conservative	Vice Chairman
Councillor Ian Albert	Labour	
Councillor John Bishop	Conservative	
Councillor Jim McNally	Conservative	
Councillor Deepak Sangha	Labour	
Councillor Terry Tyler	Liberal Democrat	

Substitutes:

Councillor Clare Billing	Labour
Councillor John Booth	Conservative
Councillor Nicola Harris	Conservative
Councillor S K Jarvis	Liberal Democrat

To support Members appointed to the Committee, assistance was readily available from relevant Officers.

Meetings

A work plan was agreed at the start of the year, which included regular review of the following:

- Reports of the External Auditor (Ernst and Young)
- Internal Audit Reports (Shared Internal Audit Service – SIAS) to enable monitoring of the delivery of the internal audit service
- Anti-fraud reports (Shared Anti-Fraud Service- SAFS) to enable monitoring of the effectiveness of anti-fraud activity
- Risk Management Updates
- Financial monitoring including Treasury Management Activity and Revenue/Capital monitoring

As and when required, the planned Agenda is supplemented by reports where the Committee has requested additional information or assurance.

The Committee met six times in the year and the following reports were presented and discussed:

12 June 2017

Annual External Audit and Certification Fees
External Audit Update
Information Note: Planning Obligations Funding (Section 106 and Unilateral Undertakings)
The Effectiveness of the Finance Audit & Risk Committee
Annual Assurance Statement and Internal Audit Annual Report 2016-2017
SIAS update on progress against the 2017-18 audit plan
Risk Management Update and Annual Report on Risk Management 2017-18
FAR Annual Report
Draft Annual Governance Statement for 2016-17
Revenue Budget Outturn 2016-2017
Capital Programme Outturn 2016-17
Annual Treasury Management Review 2016-17
Medium Term Financial Strategy 2018-23
Information Note: Car Parking Expenditure and Income
Draft Statement of Accounts 2016-17- Narrative Report

21 September 2017

Progress report on the Shared Anti-Fraud Service (SAFS)
SIAS Annual Report for 2016-17
SIAS update on progress against the 2017-18 Audit Plan
Audit results report for the year ended 31 March 2017
Annual Governance Statement for 2016-17
Statement of Annual Accounts for 2016-2017
First Quarter Revenue Monitoring 2017-18
First Quarter Capital Monitoring for 2017-18
First Quarter Treasury Monitoring Report for 2017-18
Risk Management Update

20 November 2017

Annual Audit Letter 2016-17
Local Government Audit Committee briefing
Second Quarter Revenue Budget Monitoring 2016-17
Second Quarter Capital Monitoring for 2016-17
Second Quarter Treasury management 2016-17
Updated Financial Regulations

18 December 2017

SIAS update on progress against the 2017-18 Audit Plan
Risk Management Update
Corporate Business Planning- Draft Budget 2018-19

22 January 2018

External Audit Plan for the year ending 31 March 2018
Certification of Grants and Claims Annual Report 2016-17
Corporate Business Planning- Draft Revenue Budget 2018-19
Capital Programme 2018-19 onwards
Treasury Management Strategy for 2018-19

21 March 2018

External Audit Update
Local Government Audit Committee Briefing
SIAS update on progress against the 2017-18 Audit Plan
Internal Audit Plan for 2018-19
SAFS Proposed Anti-Fraud Plan for 2018-19
Risk Management Update
Local Code of Corporate Governance and Annual Governance Statement Actions Update
Third Quarter Revenue Budget Monitoring 2017-18
Third Quarter Capital Monitoring 2017-18
Treasury Management Third Quarter Report 2017-18
Statutory Guidance on Local Government Investments

Main Achievements

Taking the year as a whole, the Finance, Audit & Risk Committee has been successful in maintaining a comprehensive overview of internal control and governance. In addition, it played a key role in financial monitoring. The Chairman of the Committee was in a position to provide an Assurance Statement on the role of the Committee to support the Annual Governance Statement for 2017-18.

The Committee received an information note on planning obligations funding, which allowed them to see what funding was available and how it could be used.

The Committee received a report on statutory guidance on Local Government investments, which allowed them to comment on how this would affect capital and treasury planning in future years.

The Committee received a report on changes to the Financial Regulations, which allowed the Committee to make an onward recommendation to Council that the proposals be approved.

The Committee reviewed the budget for 2018-19, including an early look at the Medium Term Financial Strategy in June. This allowed the Committee to make comments on the recommendations that went to Cabinet.

Planned work for 2018-19

The Committee will receive the items that ensure it covers its remit. This will include a review of the Contract and Procurement Regulations. They will also review proposals for a capital strategy for 2019/20 onwards, which will include setting indicators for monitoring performance. In addition the Committee may also request reports or details of follow up actions on specific areas, as it has done a few times during 2017-18.

All Members of the Committee are encouraged to take advantage of the various offers of training and development that have been made by Officers as well as some of the external courses that are available. This will include risk training and briefings from Ernst and Young. Attendance at a meeting of the Risk Management Group would also be beneficial. This will enable Members of the Committee to discharge their responsibilities to the best of their ability.

This page is intentionally left blank

FINANCE, AUDIT & RISK COMMITTEE
18 JUNE 2018

***PART 1 – PUBLIC DOCUMENT**

AGENDA ITEM No.

12

TITLE OF REPORT: DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18

REPORT OF: SENIOR POLICY OFFICER
EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 For the Finance, Audit & Risk Committee to review the draft Annual Governance Statement (AGS) including Action Plan for the year 2017/18.

2. RECOMMENDATIONS

2.1 That the Committee reviews and comments on the draft AGS Action Plan in order for it to be finalised for approval (in July 2018).

3. REASONS FOR RECOMMENDATIONS

3.1 The Committee is the legal body with responsibility for approval of the AGS. Reporting the draft AGS and Action Plan at this stage provides an opportunity for the Committee to assess and comment on the draft, before it is finalised and brought back for approval in July 2018.

4. ALTERNATIVE OPTIONS CONSIDERED

4.1 There are no alternative options to be considered.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 The governance review and draft AGS format is based on the 2016 CIPFA/ SOLACE Framework. For this reason there has been direct liaison with a CIPFA Governance Advisor on how to approach the new assessment and format of the AGS.

5.2 Account will be taken of any comments made by SIAS, Ernst & Young, SAFS and this Committee on the draft AGS before it is finalised for the July Committee approval process.

6. FORWARD PLAN

6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

7. BACKGROUND

7.1 The Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit Regulations 2015/234 ('AAR 2015' made under the LAAA 2014) place a requirement

on NHDC, as a relevant authority, to conduct an annual review of the effectiveness of the system of internal controls and prepare an AGS.

- 7.2 This must be considered by Members of this Committee and the AGS approved under Regulation 6(4)(a) AAR 2015 in advance of the relevant authority approving the Statement of Accounts (in accordance with Regulation 9(2)(b)). The review should be undertaken as against the relevant CIPFA/ SOLACE Framework, which for this year onwards is the *Delivering good governance in Local Government Framework 2016 Edition* and any CIPFA/ SOLACE guidance¹.
- 7.3 The draft AGS has been prepared following an in-depth review/ input and scoring of arrangements by SMT against the Framework 2016 Principles (in accordance with the guidance²). Full SMT initially provided details of systems and examples that met the 2016 Principles and scored the arrangements on the assurance level basis:
- Full: There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
 - Substantial: Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
 - Moderate: Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
 - Limited: There are significant weaknesses in key control areas, which put the system objectives at risk.
 - No: Control is weak, leaving the system open to material error or abuse.
- 7.4 Overwhelmingly the conclusions against the 2016 Principles were Substantial. Actions were included to address any perceived weaknesses and these have been detailed in the draft AGS Action Plan (final page to Appendix A). The detailed (101 page) self-assessment document has not been appended. It will, however, following comments from SIAS and advice from CIPFA be loaded on the Council's Corporate Governance internet pages.
- 7.5 In terms of format of the AGS, CIPFA indicate that the AGS should be a '*meaningful but brief communication*'; there is no requirement to repeat all the arrangements that have been comprehensively assessed. Nevertheless, the AGS should draw out a few key areas with reference to the 2016 Principles, identify any actions and include an overall conclusion on the arrangements.
- 7.6 Members will note at this stage, that a key element of the review of effectiveness, detailed in the draft AGS, includes the Head of Internal Audit's Annual report/ Opinion on arrangements. This report will be presented to the June 2018 meeting and therefore any relevant details/ links will need to be incorporated into the AGS before being finalised. However, at the point of drafting the report, there is no indication that the overall conclusions detailed in the draft AGS will be adversely affected or changed by this.
- 7.7 Members are reminded that the AGS must be approved before the Statement of Accounts and it should accompany them. The Council will include the 2017/18 AGS with the Statement of Accounts (as it has in previous years).

8. RELEVANT CONSIDERATIONS

- 8.1 The SMT AGS self-assessment, external organisation and Committee's review of the draft AGS (in preparation for finalising the AGS) provides the Council with an

¹ CIPFA/SOLACE Delivering good governance in Local Government Guidance Notes for English Authorities 2016 Edition.

² As above (*ibid*)

opportunity to consider the robustness of its governance and internal control arrangements. It highlights areas where governance can be further reinforced.

8.2 The draft AGS for 2017/18 is attached as Appendix A for review and comment. The SMT AGS self-assessment can be viewed on the Corporate Governance page as detailed under background documents.

8.3 Updates on the AGS Action Plan will be reported to this Committee twice a year at the September and March meetings.

9. LEGAL IMPLICATIONS

9.1 Under the LAAA 2014/ AAR 2015 Regulations the 2016/17 AGS must be approved by this Committee by 30 September 2017. This changes to 31 July for financial year 2017/18 onwards. Otherwise the legal implications are set out under section 7 above.

9.2 The Terms of Reference of this Committee under 10.1.5(h) are: *“To ensure that an annual review of the effectiveness of internal controls (accounting records, supporting records and financial) systems is undertaken and this review considered before approving the Annual Governance Statement.”* This review of the draft AGS therefore falls within the Committee’s remit.

10. FINANCIAL IMPLICATIONS

10.1 The final AGS is to be approved and accompany the Statement of Accounts. By presenting the draft AGS to this Committee before the audit of the accounts is concluded, the Committee has time to raise any points that may need to be addressed. Other than this there are no financial implications arising from this report.

11. RISK IMPLICATIONS

11.1 The process of assessing the Council’s governance arrangement enables any areas of weakness to be identified and improvement actions put in place.

12. EQUALITIES IMPLICATIONS

12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2 There are no direct equality implications of this report or the AGS. Where relevant the Council’s arrangements have been assessed against the 2016 Framework Principles. In respect of those arrangements, the SMT AGS self-assessment identifies the procedures in place and any outcomes. Council reports include any equality implications and are assessed by the Policy Officer. Where appropriate an impact assessment will be undertaken and mitigation measures identified. The Policy Officer undertakes an Annual Cumulative Equality Impact Assessment of these and publishes them on the internet³.

13. SOCIAL VALUE IMPLICATIONS

13.1 The Social Value Act and “go local” policy do not apply to this report.

14. HUMAN RESOURCE IMPLICATIONS

14.1 There are no direct human resource implications relating to this matter.

³ <https://www.north-herts.gov.uk/home/council-performance-and-data/policies/equality-and-diversity>

15. APPENDICES

15.1 Appendix A –Draft AGS for 2017/18

16. CONTACT OFFICERS

16.1 Reuben Ayavoo 01462 474212. Senior Policy Officer: reuben.ayavoo@north-herts.gov.uk

17. BACKGROUND PAPERS

17.1 The SMT AGS self-assessment will be placed on the Corporate Governance Page following the process in 7.4: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>. This will also contains links to relevant background documents, reports, Policies and Guidance. The draft AGS also contains links to relevant documents.

NHDC ANNUAL GOVERNANCE STATEMENT 2017-2018

Introduction

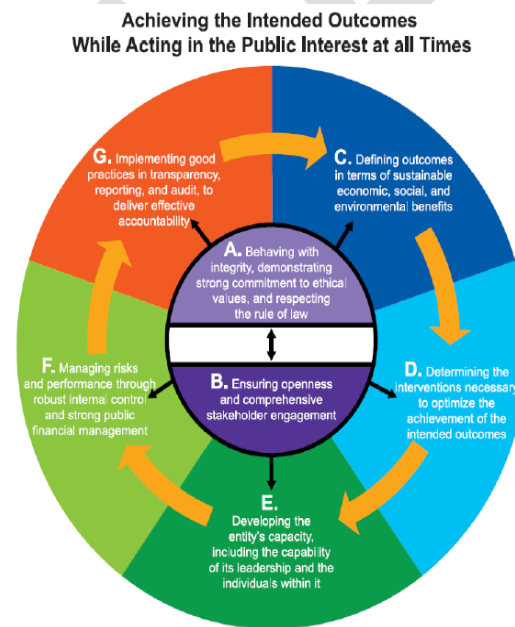
North Hertfordshire District Council (NHDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

NHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, NHDC should have proper arrangements for the governance of its affairs in place. It is legally required¹ to review arrangements and prepare an Annual Governance Statement ('AGS'). It should prepare this Statement in accordance with proper practices set out in the CIPFA/ SOLACE Delivering Good Governance in Local Government: Framework 2016. This AGS explains how NHDC has complied with these requirements. The Finance, Audit & Risk (FAR) Committee Members have been informed of progress on producing this AGS and will review it and evaluate the robustness of the underlying assurance statements and evidence. FAR Committee approves the final AGS and monitors the actions identified.

Delivering good governance in Local Government:

The Governance Framework comprises of systems, processes, culture and values, by which the authority is directed and controlled. It enables NHDC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) applies to AGS' prepared for the 2016/17 financial year onwards. The Principles are further supported by examples of what good governance looks like in practice. The Principles are set out in the diagram below:



Key Elements of the Governance Framework:

- ❖ Council, Cabinet and Stronger Leader model that provides leadership, develops and sets policy.
- ❖ A decision making process that is open to the public and decisions are recorded / available on the NHDC website.
- ❖ An established Shared Internal Audit Service (SIAS) that undertakes detailed reviews.
- ❖ Risk Management and performance procedures that enable risks to be identified and these to be monitored by Senior Management Team (SMT) and Members on a quarterly basis.
- ❖ Overview & Scrutiny (O&S) Committee reviewing performance and policies.
- ❖ An effective FAR Committee as the Council's Audit Committee that reviews governance and financial arrangements.
- ❖ A SMT, which includes the statutory officers and provides effective corporate management.

How NHDC complies with the 2016 Governance Framework

NHDC has approved and adopted:

- ❖ a [Local Code of Corporate Governance](#) in March 2016 which incorporate the Framework 2016 Principles.
- ❖ a number of specific strategies and processes for strengthening corporate governance (and an action plan).

Set out below is a summary of *some of the central ways* that NHDC complies with the 2016 Framework Principles. The detailed arrangements, policies, meetings, information and examples are described / links provided in the SMT AGS self assessment document on the Corporate Governance page: <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance> or can be obtained from, NHDC, District Council offices, Gernon Road, Letchworth Garden City SG6 3JF.

¹ Local Audit and Accountability Act 2014 and The Accounts and Audit Regulations 2015.

NHDC ANNUAL GOVERNANCE STATEMENT 2017-2018

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

What NHDC has or does:

- ❖ Operates Codes of Conduct for Members and Employees, maintaining arrangements for sign off of those, awareness of key policies and reporting / investigating any allegations of breaching those Codes.
- ❖ Complaints concerning employees are dealt with according to the Managing Misconduct Policy, and/ or Employment Procedure rules for officer (for relevant officers will also potentially involve the Independent Person/ Reserve Independent Person (IPs), Employment Committee and Full Council).
- ❖ A Standards Committee which oversees and promotes high standards of Member conduct. It is composed of 12 Councillors and 2 non-voting co-opted Parish Councillors. The IPs are invited to attend the meetings of the Standards Committee. The Committee oversees the Complaints Handling Procedure and Final Determination Hearings through a Sub-Committee. The Chairman of Standards Committee provides an annual report to Full Council in May. This is designed to promote shared values with Members, employees, the community and partners.
- ❖ The Council's Constitution includes a scheme of delegation and terms of reference for each of the Council's Committees and decision making practices are outlined. The Council's Constitution is reviewed annually.
- ❖ The Council's Anti-Fraud and Corruption Policy, which includes the Anti-Money Laundering Policy, Anti-Bribery, Employee Personal Conflicts of Interest, Benefits Anti-Fraud, and Whistleblowing Policies and Fraud Plans, have been reviewed and are available on the internet.² Contract Procedure

Rules in Section 20 of the Constitution underpin the Council's approach to Procurement. Standard Contracts include an obligation to adhere to the requirements of the Bribery Act 2010 and the Councils' requirements as set out in the Councils' Anti-Bribery Policy.

- ❖ The Council also has Policies and procedures for Members and Employees to declare interests, including Organisational ones. Members are obliged to comply with such arrangements under their Code of Conduct and employees sign an Annual Declaration Letter to ensure that they are aware of and will comply with key governance policies.
- ❖ The Council has a Monitoring Officer (MO) whose role is to ensure that decisions are taken lawfully, in a fair manner and procedures followed. After consulting the Chief Executive and Chief Finance Officer (CFO) the MO has a statutory duty/powers to report any proposal, decision or omission that he/she considers would give rise to unlawfulness or any decision or omission that has given rise to maladministration ("Section 5 report"). The MO is responsible for providing advice on ethics and governance to the Standards Committee and to the Members of this Council. A Legal advisor attends Full Council, Cabinet and regulatory Committees – such as Planning, Licensing and Standards to be on hand to provide advice. A Finance Officer attends Full Council, Cabinet and FAR Committee. Legal services maintain records of advice provided.
- ❖ The Council's CFO (s151 Officer) has a duty to the Council's taxpayers to ensure that public money is being appropriately spent and managed, and reports directly to the Chief Executive. The CFO ensures that appropriate advice is given on all financial matters, is responsible for keeping proper financial records and accounts and for maintaining an effective system of internal control.
- ❖ All Committee reports and delegated decision templates have required areas for legal advice (as well as Finance, Social Value Act 2012 and equality requirement); part 1 reports are published and available for inspection as per the statutory

requirements. Committee and Member Services provide support to the Council, Councillors and the democratic processes of the Council. The team organise the civic calendar of Committee meetings dates, the Forward Plan of Executive Decisions, prepare and despatch agendas and reports in advance of the meetings and take and despatch minutes and decision sheets minutes after the meetings. Delegated decisions are retained by them and they provide support for Councillor Surgeries.

- ❖ SIAS reviewed the Council's Ethical Policies in 2016 and confirmed an overall Substantial level of assurance that effective controls are in operation.

Principle B: Ensuring openness and comprehensive stakeholder engagement.

What NHDC has or does:

- ❖ The Council's vision is one created by all partners of the North Herts Partnership and this and relevant documents are made available on the Council's website with Service Plans that show how the Objectives will be delivered in practical terms [[Corporate Objectives page](#)].
- ❖ Open Data is published on the NHDC website, and is available to re-use through the terms of the Open Government Licence [[Open Data page](#)]. Data Sets on NNDR (Full list and monthly credit balances) are also available [[Published Data Sets](#)].
- ❖ An Annual Monitoring Report is produced containing indicators and targets across the District to aid with future planning decisions and identification of local priorities [[Annual Monitoring Report 2015-2016](#)].
- ❖ There is an effective Committee administration process in places so that all Council meeting agendas, reports, minutes are available for inspection, and these, together with public meeting recordings, are available on line [[Council meetings page](#)].
- ❖ There is a presumption of openness and transparency, with reports (or confidential parts of

² <http://www.north-herts.gov.uk/home/council-performance-and-data/policies/anti-fraud-and-corruption-policy>

NHDC ANNUAL GOVERNANCE STATEMENT 2017-2018

reports) only being exempt so long as statutory exemption requirements³ apply. Report authors consider such matters with the designed Constitutional “Proper officer”. Meetings are open to the press and public (unless an exemption applies).

❖ There is a Council and Democracy page on the NHDC website, that links to information about the Council, Councillors, MPs, Council meetings, Council departments, Forward Plan of Key Decisions, Petitions, Notices of Part 2 (exempt) decisions that the Council intends to take in the near future, delegated decisions, recordings/ the right to record Council meetings, Notices of Urgent Decisions [[Council and Democracy](#)]. Public Registers and Delegated Decisions are available on the NHDC website for [Environmental Health, Licensing](#) [[Public Registers and Delegated Decisions](#)] and Planning applications/ decisions [[View Planning Applications](#)]. Delegated Executive and Non-Executive decisions⁴ are on the Council's website [[Delegated Decisions](#)].

The Constitution also sets out what information is available to the public and how to engage with the Council [[Section 3](#)].

The Council has a 5 year Consultation Strategy for 2016-2020 [[Consultation Strategy 2016-2020](#)] that sets out the methods that will be used to consult and practical considerations for doing so. This entails various approaches to consultation. A Statement of Community Involvement sets out how the Council will involve the community in preparing the Local Plan and in considering planning applications [[Statement of Community Involvement - Adopted September 2015](#)].

❖ The Council conducts a District Wide Survey every two years [[2017 District Wide Survey - Key Findings Report](#)]. Residents who take part in the District Wide Survey are invited to join the Council's Citizens Panel, which is used for consultation.

❖ The Council also has an internal Staff Consultation Forum, a Joint Staff Consultative

Committee (JSCC) and a Staff Consultation Policy [[Staff Consultation Policy](#)].

❖ The Council's Customer Service Strategy aims to put people first [[Customer Service Strategy page](#)]. The Communications Strategy and action plan [[Communications Strategy page](#)] set out the approach to communicating with residents, partners and the media. The Council has a multi-media approach to contact – on line, in person, by phone, by post, with self service and social media sites (on Facebook, Twitter and Instagram). The use social media sites and text alerts is geared towards engagement with IT adept and/ or younger residents.

❖ The Council is also part of the [Hertfordshire Local Enterprise Partnership](#) which aims to ensure a prosperous economy for the District's residents and businesses. It also works with Town Centres in Partnership to co-ordinate and progress the work in the town, tackle growth and development challenges.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

What NHDC has or does:

❖ The Council has a Corporate Objectives and Plan approval / review process and its vision is based on partnership aspirations. The Objectives provide the foundations for the Service planning process. Delivery is monitored through detailed Senior Management, Committee and Executive Member / Member procedures.

❖ The Corporate Equality Strategy contains equality objectives and contributes towards the Council's vision of equality and diversity [[Corporate Equality page](#)]. These issues are monitored through the report / decision making process and Annual [Cumulative Equality Impact Assessment 2017-18](#).

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

What NHDC has or does:

❖ Decision making is effectively delegated through the Constitution (to Council, Committees, Cabinet, Executive Members and Officer). The Council has a set report / delegated decision template and guidance on how to complete these, which include standard areas such as an ‘options’ appraisal called “Alternative options considered” and risk analysis assists with optimising outcomes.

❖ The Corporate business planning programme is used to assess projects against criteria including the Council's agreed Policy, its priorities, the outcomes of public consultation, demonstration of continuous improvement and changing legislative need.

❖ The Council has a Project Management Framework, and Service Managers have to identify threats to service delivery/performance in their own areas, when undertaking projects, letting contracts, formulating or introducing new policies and engaging in partnership working. This is part of the [Risk & Opportunities Management Strategy 2017-20](#) These are recorded on the Risk Register, and monitored through the Council's Pentana performance/ risk management software monitoring system. Project management lessons are logged and detailed in Corporate Lessons Learnt Log.

❖ The Council's Financial Regulations [[Constitution PART B Section 19 Financial Regulations](#)] are an essential part of risk management / resource control for delivery of services (whether internally, externally or in partnership). The Medium Term Financial Strategy (MTFS) is reviewed annually to set an indicative 5 year financial plan for the longer term strategic vision as well as a detailed one year budget. The MTFS and annual budget are prepared in line with the agreed Objectives and Corporate Plan/ business planning process. Budget workshops are provided to Political groups prior to budget setting/ budget approval and these help to optimise achievements.

³ Under the Local Government Act 1972 Schedule 12A, and/ or Local Government Act 2000/ The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012/2089

⁴ Made under The Openness of Local Government Bodies Regulations 2014/2095

NHDC ANNUAL GOVERNANCE STATEMENT 2017-2018

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

What NHDC has or does:

❖ The Council recognises the importance of employees, planning recruitment and development. The People Strategy incorporates the Workforce Development Plan [[People Strategy 2015-2020](#); [Workforce profile](#)] and was developed with the Corporate Objectives (Priorities as was), Corporate Projects and workforce demands anticipated. A vacancy management process provides a corporate overview of vacancy management and to ensure compliance with proper recruitment practices. The Council promotes ILM Leadership & Management Qualifications and has Investors in People accreditation.

❖ Members and employees engage in various groups and benchmarking initiatives. These assist the Council in analysing/ improving its capability, such as the County Benchmarking LG Futures, HR Salary benchmarking, Sport England's National Benchmarking service and Customer Services.

❖ Service area employees attend / are part of groups – such as Legal PLP and Herts First where good practice can be shared.

❖ The Council also considers and participates in Shared Service/ commercial ventures to develop services and resilience, such as the CCTV Partnership, the Local-Authority Building Control Company, Broste Rivers LA7 Limited and has been a Lead authority developing the Herts Home Improvement Agency and Waste

❖ The Leader is part of Herts Leaders Group and East of England Leaders Group, has weekly Chief Executive/ Leader Briefings. Political Liaison Board (PLB) meetings are held and opposition Member/ shadow Member briefings provided by the Chief Executive/ other senior officers.

❖ Bi-monthly SMT meetings are held where Policy, Projects, Performance and Risk are (amongst other things) monitored and the Council encourages close working liaison between Senior Officers and Executive Members.

Principle F: Managing risks and performance through robust internal control and strong public financial management

What NHDC has or does:

❖ The Council has extensive mechanisms in place to manage risk and performance, through the Risk Management Team/ Group/ Member champion/ Risk & Opportunities Management Strategy 2017-20 and [Risk & Opportunities Management Policy Statement 2017](#). The Pentana system supports the logging/ monitoring process by identifying individual risks and 'ownership'. These are reported to SMT/ FAR, O&S Committees and Cabinet for transparency and in Cabinet's case, overall management purposes. The Risk Management framework is embedded across all service areas and helps to inform decision making. The Annual report on Risk Management (April 2017-March 2018) also proposes a action plan for 2018/19 to maintain the Council's effective and strong risk management processes.

❖ SIAS' reviews of Risk Management and Financial systems during 2016/17 provided an overall Substantial assurance.

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

What NHDC has or does:

❖ The Council's 'Outlook' Magazine is provided to all households in the District and is available on the Council's website. It contains information about the

Council's services and events. The Autumn Outlook– Annual Residents Report contains a review of the previous financial year and summarises key achievements against priorities / expenditure and is a useful accountability mechanism.

❖ SIAS undertake numerous planned audits/ (additional on request) and present progress reports against these, an Annual Assurance Statement Internal audit/ opinion report of the Head of Internal Audit on the work undertaken. On an annual basis SIAS is required to evidence its conformance with the requirements of the Public Sector Internal Audit Standards (PSIAS). An external review is required at least once every five years and this was last carried out in January 2016. In SIAS' Opinion report for 2016/17: 'The Head of Assurance has concluded, therefore, that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. 'Generally conforms' is the highest rating and means that SIAS has a charter, policies and processes assessed as conformant to the Standards and is consequently effective and has the processes in place to deliver robust assurance work.

❖ The CFO follows: the CIPFA Code of practice on local authority accounting in the United Kingdom 2016/17 and the CIPFA Statement on the role of the Chief Financial Officer in Local Government 2016 by ensuring that the financial statements are prepared on a timely basis, meet legislative requirements, financial reporting standards and professional standards as reflected in CIPFA's Code of Practice.

❖ External Auditors provide key timetabling/ stage of audit reports to FAR Committee (Audit Fee Letter, Audit Plan, testing routine procedures, Audit on financial statement and value for money conclusions/ Audit completion certificate and Annual Audit Letter).

NHDC ANNUAL GOVERNANCE STATEMENT 2017-2018

Review of Effectiveness

The Council uses a number of ways to review and assess the effectiveness of its governance arrangements. These are set out below:

Assurance from Internal and External Audit

One of the fundamental assurance statements the Council receives is the Head of Internal Audit's Annual Assurance Statement/ Opinion on the work undertaken. During 2017/18 SIAS reported on 16 areas of which 9 received a Substantial assurance, 4 received a moderate assurance and 4 received full assurance including all key financial/ risk systems/ contract management reviewed. Non-domestic rates received a Full assurance. Cyber security, Payroll Tree management and Taxi Licencing received medium priority recommendations. Recommendations are detailed in the March 2017 SIAS report to FAR Committee [[Report on progress against the 2017/18 Audit Plan](#)] in Appendix B. Some have been implemented as detailed and outstanding ones will be taken forward and monitored through the 2018/19 reports to FAR Committee. Asset Management medium priority recommendations have all been implemented. SIAS also review the effectiveness of the FAR Committee. Their conclusions for 2017/18 were that it was effective.

The Council's external auditors provide assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. The last Annual Audit Letter presented to the FAR Committee in November 2017 was very positive, with unqualified opinions on both the Council's financial statements and the value for money in use of its resources, [[NHDC Annual Audit Letter 2016-17](#)]. The most recent External Audit Update report issued [[External Audit Update report 22 March 2018](#)] indicated that there were no changes to the risk identified / value for money risk identified in previous report from January 2018 [[FAR Committee meeting January 2018](#)]. These arrangements are therefore deemed to be effective.

Assurance from self assessment

The review of effectiveness is informed by the work of the Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment. Each Head of Service / Corporate Manager was responsible for producing their own assurance statements and an improvement action plan to rectify any identified governance weaknesses, as part of the Service Planning process. This process was reviewed with an overall SMT assurance statement provided [see⁵].

SMT is chaired by the Chief Executive, includes the MO, CFO and key Senior managers. It followed the CIPFA/ SOLACE recommended self assessment process of reviewing the Council's arrangements against the 2016 Framework Principles/ sub-principles guidance examples. This was undertaken during March-June and SMT is satisfied that appropriate and overall Substantial 2016 Framework governance arrangements are in place. However, any improvement actions have been identified for 2018-19 in the Action Plan. The detailed AGS self-assessment is available on the Corporate Governance page⁶.

Assurance from Risk Management

The top risks for the Council (as reported to FAR Committee on December 2017 [[Risk Management report Dec 2017](#)]), are: Local Plan, North Hertfordshire Museum & Town Hall project, Managing the Council's Finances, Shared Procurement Opportunity (Waste & Street Cleansing Contract Renewal), Cyber risks, Sustainable Development of the District, Increased homelessness and use of Bed & Breakfast, Income Generation Projects, Workforce planning and the Office Accommodation Project. The first 3 scored 9 on the risk matrix:

❖ Delivery of the **Local Plan** has and remains a top risk. On 11 April 2017, Full Council approved the

submission of the new Local Plan for North Hertfordshire for examination by the Secretary of State and approved the revised Local Development Scheme for North Hertfordshire⁸. This progressed through the submission/ examination stages during 2017-18.

❖ The **North Hertfordshire Museum & Town Hall project** has been a top risk for a number of years. Regular updates have been provided to Cabinet and Council during the year, with the main fit out works completed in 2016. Efforts to resolve the issues relating to 14/15 Brand Street continue. SIAS will undertake a review of the project once completed (deferred from the 2015/16 Audit Action Plan). O&S Committee has also identified a review of the project once concluded.

❖ **Management of the Council's Finances** is an ongoing top risk which is reported through the FAR Committee and Cabinet process. The MTFs, budgets and capital programme are, however, noted as soundly based and designed to deliver the Council's strategic Objectives.

Assurance from Complaints outcomes

Local Government Ombudsman (LGO): The Council reports complaints to SMT and O&S. The summary for the period 1 April 2017 to September 2017 indicated that NHDC received 397 complaints of which 312 were complaints regarding contractors. 68% of all complaints were dealt within 10 working days.

6 complaints were made to the LGO during 2017/18 (Benefits and Tax – closed after initial enquires out of jurisdiction; Planning – Not upheld – no maladministration: Environmental Services & Public Protection - Not upheld - No maladministration: Corporate Services – Closed after initial enquiries – no further action: Planning – Upheld maladministration

⁵ <https://www.north-herts.gov.uk/home/council-data-and-performance/corporate-objectives>

⁶ <https://www.north-herts.gov.uk/home/council-performance-and-data/corporate-governance>

⁸ Source: Pentana

NHDC ANNUAL GOVERNANCE STATEMENT 2017-2018

– no injustice; Housing – Closed after initial enquires – no further action

Standards complaints involving Councillors:

During the 2017/18 year there have been seven complaints made to the Monitoring officer (one relating to a Parish Council, two relating to Parish Councillors and four relating to District Councillors). None were upheld, although one was referred for informal mediation and not pursued when the complainants failed to co-operate. One was self referred to the Police following an ongoing public complaint in relation to alleged Disclosable Pecuniary Interest offences and none was found to have taken place by the Police.

Whistleblowing

During 2017/18 the Council received two concerns raised by employees. One contained 4 detailed concerns a variety of financial and waste related issues raised over December 2017/ January 2018. Report, evidence, findings and recommendations were reviewed by SIAS. The findings, : That there be no further action, although 3 recommendations were made regarding:

- i) Reviewing income received from Garden waste collection at the end of the first financial year, keeping a watching brief on the issue and, if the issue remains unclear, seeking further specialist advice at that stage as to what any surplus can be applied to;
- ii) That all press releases containing financial information be reviewed by the Head of Finance,

Performance and Asset Management (the 'Chief Finance Officer') before putting these on the Council's website or releasing these to the press (as per his offer); and

iii) Further consideration is given to the issue of employees forwarding confidential reports or information to private email accounts and/or computer, and reiterating any requirements under the Information Security Policy.

The second alleged Health and Safety in relation to reorganisation, stress and alleged issues with the Management of Health and Safety at Work Regulations 1999. An initial enquiries report did not uphold the concern on the basis that the Council had assessed the risk according to the legal requirements. There were, however, a few recommendations:

- i) That the Employee be encouraged to engage with HR (as per the Wellbeing Policy) to report any concerns regarding their stress and further assessments that may be required;
- ii) That, reference be made to risk assessments with regard the impact that a restructure/reorganisation is likely to have on the general health, safety and wellbeing of staff in the HR Wellbeing and Reorganisation Policies;
- iii) As part of any future restructure/reorganisation, that staff be reminded to discuss any and all concerns they may have as to health, safety and wellbeing with their line managers, as per the Wellbeing Policy. In response to this the Learning and Development Team hosted recent training sessions in relation to staff wellbeing, health, assertiveness and time management.

Information Commissioner's Office (ICO)

During 2016/17 the Council received 684 requests for information with 97% of these handled within the statutory deadline. Three complaints were made to the ICO during this period, The Commissioner upheld the two of the Council's decisions and the other is outstanding.

In terms of other reports/ issues there have been no formal Statutory reports issued by the MO or s151 (CFO). One decision relating to Members allowances from January 2018 (due for implementation in April 2018) was not lawful and therefore was not implemented. The Council is therefore assured that effective complaint handling and response measures are in place.

Conclusion

No significant governance issues have arisen as a result of the review of effectiveness for the 2017/18 financial year. The Council is satisfied that it has appropriate arrangements in place. The Council proposes over the coming year to take the actions set out in the Action Plan below to address/ enhance its governance arrangements. Implementation will be monitored through the FAR Committee.

Cllr Lynda Needham, Leader of NHDC

David Scholes, Chief Executive of NHDC

NHDC ANNUAL GOVERNANCE STATEMENT 2017-2018

Action Plan 2018/19

1. Implementation of Cabinet resolutions of 28 March 2017¹⁰ on Data Protection/ Freedom of Information SIAS review recommendation. To review and potentially introduce new Member training e-learning system from June 2017 [Head of Revenues, Benefits & IT -HoRB & IT]
2. Executive Member for Policy, Transport and Green Issues to review Member leadership/ communicating shared values (sub-principle A1ii) as part of Corporate Plan review process [Chief Executive with Group Leaders in-put]
3. Constitutional review to change sections 12 & 14 [MO].
4. Delegated Decision Guidance under consideration in respect of delegated planning decisions [MO/ Deputy MO]. Delegated Planning Decision report template being reviewed in the light of a number of court cases [Planning Control & Conservation Manager/ Planning Lawyer]
5. SAFS to roll out an e-learning anti-fraud training package for employees during 2017 [SAFS Manager]
6. IIP assessment 2017 – review outcome by March 2018 [CHRM]
7. Contract Guides to be updated to consider reflecting appropriate ethical practices [Head of Finance, Performance & Asset Management - HoFPAM /Payment & Reconciliations Manager]
8. Job descriptions, delegations and organisational chart to be updated on website following reorganisation during 2017 [CHRM]
9. To consider ways to feedback results following consultation [Communications Manager]
10. Investigate the possibility of realistic and cost effective Social Value report/ Cumulative Analysis Action for 2017/18 [SMT]
11. Review O&S Committee once Central Government's national inquiry completed [SMT].
12. Preparation for General Data Protection Regulation 'GDPR' implementation by May 2018 [HoRB & IT]. Development of new Privacy forms statements and additional training for members and staff..
13. Implementation of any outstanding SIAS recommendations [HoFP&AM].

111

¹⁰ <http://web.north-herts.gov.uk/aksnherts/users/public/admin/kab12.pl?cmte=CAB&meet=103&arc=71>

This page is intentionally left blank

FINANCE, AUDIT AND RISK COMMITTEE

18 JUNE 2018

*PART 1 – PUBLIC DOCUMENT

AGENDA ITEM No.

13

The following is the report to be considered by the Cabinet at its meeting to be held on 19 June 2018. The Committee is invited to comment on the report.

TITLE OF REPORT: REVENUE BUDGET OUTTURN 2017/18

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM

COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to inform Cabinet of the summary position on General Fund income and expenditure as at the end of the financial year 2017/18. The net outturn of £16.053m represents a **£422k decrease** from the working budget of £16.475million. There are corresponding requests to carry forward **£261k** (of underspends) to fund specific projects that will now take place in 2018/19. There is a further forecast impact on the 2018/19 base budget of a **£85k increase**. This reflects the variances identified (generally overspends) that are expected to have an ongoing impact in future years. Within these summary totals there are several budget areas with more significant variances, which are detailed and explained in table 2. The report also provides an update on;
- the delivery of planned efficiencies (paragraph 8.3)
 - the use of budget approved to be carried forward from 2016/17 (table 3)
 - performance against the four key corporate 'financial health' indicators (paras 8.5-8.7)
 - confirmation of the funding position as the end of 2017/18 (table 5)
 - details of earmarked reserves movements and balances (table 7)

2. RECOMMENDATIONS

- 2.1 That Cabinet notes this report.
- 2.2 That Cabinet approves a decrease of £422k in the 2017/18 net General Fund expenditure, **as identified in table 2 and paragraph 8.1**, to a total of £16.053million.
- 2.3 That Cabinet approves the adjustments to the 2018/19 General Fund budget, as identified in table 2 and paragraph 8.2, a £346k increase in net expenditure.
- 2.4 That Cabinet recommend that Council approves the net transfer to earmarked reserves, **as identified in table 7**, of £1.070million.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.
- 3.2 Changes to the Council's balances are monitored and approved.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Budget holders have considered the options to manage within the existing budget but consider the variances reported here necessary and appropriate.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation on the budget monitoring report is not required. Members will be aware that there is wider consultation on budget estimates during the corporate business planning process each year.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 16th February 2018.

7. BACKGROUND

- 7.1 Council approved the revenue budget for 2017/18 of £16.545 million in February 2017. The working budget at financial year-end has reduced to £16.475 million. Table 1 below details the approved changes to this budget to get to the current working budget:

Table 1 - Current Working Budget

	£k
Original approved budget for 2017/18	16,545
Proposed Crematorium at Wilbury Hills Cemetery - Interim Report On Business Case – approved by Cabinet 28 th March 2017	50
Quarter 3 2016/17 Revenue Monitoring report - 2017/18 budget changes approved by Cabinet (March 2017)	199
2016/17 Revenue Outturn Report - 2017/18 budget changes approved by Cabinet (June 2017)	228
Quarter 1 2017/18 Revenue Monitoring report - 2017/18 variances approved by Cabinet (September 2017)	208
Quarter 2 2017/18 Revenue Monitoring report - 2017/18 variances approved by Cabinet (November 2017)	(131)
Revenue monitoring included within 2018/19 budget report – 2017/18 variances approved by Cabinet (January 2018)	(684)
Quarter 3 2017/18 Revenue Monitoring report - 2017/18 variances approved by Cabinet (March 2018)	60
Working budget at Financial Year End 2017/18	16,475

8. RELEVANT CONSIDERATIONS

REVENUE INCOME AND EXPENDITURE FORECASTS

- 8.1 Cabinet are asked to approve the net expenditure on the General Fund in 2017/18 of £16.053million (recommendation 2.2). This is a net decrease of £422k on the working budget of £16.475million. Table 2 below highlights the most significant variances, which are generally more than £25k, and contains an explanation for each. The final columns detail if a carry forward into 2018/19 is requested and the estimated ongoing impact of any variances:

Table 2 - Summary of significant variances

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2018/19 £k
Corporate Vacancy Control Savings Target	+55	0	-55	The over-achievement of the vacancy control savings target is due to a greater level of posts held vacant pending the implementation of the Corporate Restructure. It is requested that £24k of this budget is carried forward and transferred to the Strategic Priorities Fund in 2018/19 (see below).	+24	0
Strategic Priorities Fund	+76	0	-76	Budget provision of £100k was approved for the Strategic Priorities Fund in 2017/18, of which a total of £24k was allocated to successful investment bids. It is requested that the remaining £76k goes towards a new allocation of £100k for 2018/19.	+76	0
Commercialisation Project	+95	+1	-94	The creation of the 'Service Director-Commercial' post will lead to the ongoing development of commercialisation opportunities. It is therefore requested that the remaining resource unspent in 2017/18 be carried forward into 2018/19 as this funding will be used for the up-front costs of exploiting these opportunities.	+94	0
Corporate Restructure	0	+100	+100	A provision in 2017/18 is required for employee settlement costs associated with the Senior Management Restructure, which were not finalised as at the 31 st March. Final agreement was reached in April.	0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2018/19 £k
CCTV						
Contribution to CCTV Partnership	+86	+109	+23	The increase in contribution to the CCTV Partnership follows the Partnership recording a deficit at the end of the financial year. The assumption in the budget is that the CCTV Partnership will achieve a break-even position.	0	0
Income from Herts CCTV Company	-37	0	+37	Anticipated income for 2017/18 was based on the original estimates prepared when the CCTV company was formed. Hertfordshire CCTV Limited has however made minimal profit this financial year due to the loss of a significant client, so there is no dividend receivable for the Council in 2017/18.	0	+39
TOTAL	+49	+109	+60		0	+39
Churchgate Project	+37	0	-37	It is requested that the earmarked resource is carried forward to fund any external professional advice required to assess proposals, prior to consideration by Full Council, in 2018/19.	+37	0
Waste Services - Household Waste and Recycling Bins	+47	+18	-29	A lower number of requests received for new bins in 2017/18 has meant expenditure on bins has been significantly lower than both the budget estimate and the prior year outturn (£67k spend in 2016/17).	0	0
Street Cleansing Contract Expenditure	+911	+894	-17	The cleansing of the Baldock Bypass had not commenced by the end of the financial year. The unspent budget is requested to be carried forward to meet the cost of cleansing the bypass in the early part of the next financial year.	+17	0
Planning Services – Planning Applications Income	-1,168	-1,292	-124	Planning application income receipts have continued to exceed the budgeted expectation in the final quarter. Growth in this income stream, based on the successful adoption of the Local Plan, is already incorporated in the budget estimates for future years.	0	0
Planning Services – Transfer to reserve	+363	+487	+124	The overachievement of income is requested to be transferred to the planning reserve. As previously discussed at Cabinet, there are significant risks associated with the progress of the Council's Local Plan. The balance in the earmarked reserve will therefore be used to mitigate the financial impact of associated risks materialising in the coming years.	0	0
TOTAL	-805	-805	0		0	0

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2018/19 £k
Building Control - Non fee Work	+55	+5	-50	Hertfordshire Building Control Ltd has agreed to only charge the Council for out-of-hours dangerous structures cover and response. The cost of this work totalled £4,500 in 2017/18. The Company will seek reimbursement for other chargeable services in 2018/19. Some of these have been agreed at a fixed fee and others will be at an hourly rate. The total cost will depend on the number of chargeable hours.	0	0
Hertfordshire Warmer Homes project	+12	0	-12	Following delays to the Herts Warmer Homes project with Herts County Council commencing, the project will now be completed in the next financial year. It is therefore requested that the budget remaining is carried forward to meet the costs in that year.	+12	0
Council Tax Summons Income	-263	-228	+35	The increasing proportion of households paying their Council Tax by direct debit has contributed to reducing the numbers of people taken to court over non-payment. Waiting times for court dates have also increased, which has extended the period available to pay the outstanding sum prior to the court summons being issued. Failure to meet the summons income budget was identified as a financial risk for 2017/18.	0	+35

Budget Area	Working Budget £k	Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2018/19 £k
Housing Benefits						
Housing Benefit Payments	+34,332	+34,246	-86	The outturn for Housing Benefit Payments is less than the mid year estimate, upon which the working budget was based, due to fewer claimants than anticipated.	0	-3,867
Housing Benefit Subsidy	-33,861	-33,669	+192	The reduction in claimants also partially explains the lower than anticipated subsidy receivable (based on the mid-year estimate). In addition, subsidy is only receivable for the net payment where a portion of the gross amount is withheld to claw back an overpayment relating to a prior year. The total of relevant amounts (not eligible for subsidy) almost doubled from £330k in 2016/17 to £652k in 2017/18.	0	+3,867
Contribution to overpayments bad debt provision	+316	+335	+19	This increase also helps to explain overpayments income this year being significantly higher than 2016/17 (£468k). The income forecast for the year was increased by £200k at quarter 2 and significant overpayments have continued to be identified in the second half of the year. The increase in income has been partially offset by a higher contribution required to the overpayments bad debt provision.	0	0
Income from Housing Benefit Overpayments	-688	-889	-201		0	0
Total	+99	+23	-76		0	0
Careline Net Direct Trading Expenditure	-181	-141	+40	The lower than anticipated surplus achieved by Careline in 2017/18 is primarily due to higher than planned staffing costs. A higher turnover of temporary staff has meant a higher number of training hours being needed for new members of staff. Training hours increase salary costs as additional staff cover is required while the officers attend training.	0	0
Total of explained variances	+187	-24	-211		+260	+74
Other minor balances	16,288	16,077	-211		+1	+11
Overall Total	16,475	16,053	-422		+261	+85

8.2 Cabinet are asked to approve the estimated net impact on the 2018/19 budget, a **£346k increase** in budget (recommendation 2.3), which includes:

- **£261k** of budget carry-forwards from 2017/18 to 2018/19 for projects that were not completed by the end of the financial year. These are shown in the penultimate column of table 2 above. This will take the total carry-forward to £515k (i.e. including those reported and approved at month 8 and quarter 3).
- **£85k** increase in budget to reflect the estimated ongoing impact in 2018/19 of variances identified in Q4. These are shown in the final column of table 2 above.

8.3 The original approved budget for 2017/18 (and therefore working budget) included efficiencies totalling £929k, which were agreed by Council in February 2017. Progress in delivering the efficiencies identified has been monitored throughout the year and reported at each quarter. The efficiency total has been overachieved in the year by £286k, which is £80k higher than the forecast overachievement of £206k reported at quarter 3. This increase in the total relates to:

- Planning income; overachievement of £124k, as highlighted in table 2 above.
- IT Server Room Rental Income; £3k underachievement; this efficiency was not delivered (variance included within 'other minor variances' total in table 2 above) as the anticipated tenant withdrew their interest.
- Net direct surplus from Hitchin Town Hall Community Facility; £41k underachievement; deterioration in overall financial position in the final quarter is due to the costs incurred in facilitating events at the Town Hall being higher than estimated and hence reducing the net income achieved (included within 'other minor variances' total in table 2 above)
- Corporate Restructure Phase 1 and 2; Overall the target was achieved from the posts deleted in phase 1 and holding other vacancies, even though the next stage of the restructure will not be in place until June 2018.

8.4 The working budget for 2017/18 included budgets totalling £642k that were carried forward from the previous year. These are generally carried forward so that they can be spent for a particular purpose that had been due to happen in 2016/17 but was delayed into 2017/18. At the end of the year a total of £473k of the budget carried forward has not been spent in 2017/18, as detailed in Table 3 below.

Table 3 – Unspent Carry Forward Budget in 2017/18

Monitoring Report	Carry Forward Budget in 17/18 (£k)	Project	Underspend reported (£k)
Q1	20	Migration of the NHDC building control service onto the single IT platform of the Hertfordshire Building Control trading company	20
Q2	20	Proposed extension of the Chiltern area of outstanding natural beauty	20
Q2	52	Economic Development Officer post	35
Month 8	87	Viability Assessment of Community Infrastructure Levy	87
Month 8	13	Review of Housing Strategy	13
Month 8	25	Herts Warmer Home Project	13
Month 8	52	Economic Development Officer post	17
Q3	20	Legal Services Contract Scanning	14
Q3	42	Parking Lines and Signs maintenance	30
Q3	11	Waste Services Temporary Technical Officer Post	5
Outturn	100	Strategic Priorities Fund (SPF); £53k of unspent SPF resource in 2016/17 and £47k of the overachievement of the vacancy control target in 2016/17 were carried forward to provide a total SPF budget of £100k in 2017/18. £24k of the funding available was allocated to successful bids in 2017/18 with the remaining £76k requested to be carried forward into 2018/19 (as highlighted in table 2 above).	76
Outturn	95	Commercialisation project; £1k of this £95k carry forward budget has been spent in 2017/18, with the remainder requested to be carried forward into 2018/19 (as highlighted in table 2 above).	94

Outturn	52	Churchgate development; £15k of the £52k budget carried forward has been spent in 2017/18. It is requested that the remaining £37k be carried forward into 2018/19 (as highlighted in table 2 above).	37
Outturn	25	Herts Warmer Homes Project; A further £12k of the original £25k carry forward budget has not been spent in 2017/18. It is requested that this unspent amount is carried forward into 2018/19 (as highlighted in table 2 above).	12
Total Underspend 2017/18			473

- 8.5 There are 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. Table 4 below shows the performance for the year. A comparison is made to the original budget to give the complete picture for the year. Each indicator is given a status of red, amber or green. A green indicator means that income recorded matched or exceeded the budgeted level of income. A red indicator means that the outturn has not met the budgeted level of income. An amber indicator is only used during the year to highlight that there is a risk that the budgeted level of income may not be met.
- 8.6 At the end of the year, two indicators are green and two indicators are red.
- 8.7 The red indicator in relation to car parking fees was highlighted within the revenue monitoring report at quarter 2 and relates to the additional parking fee income anticipated from the Parking Strategy review that has not been achieved.
- 8.8 The red indicator in relation to land charges income was highlighted within the revenue monitoring report at quarter 3. The number of searches requested to be undertaken by the authority has reduced in comparison to the prior financial year.

Table 4 - Corporate financial health indicators

Indicator	Status	Original Budget £k	Actual income for the year £k	Variance £k
Planning Application Fees (including fees for pre-application advice)	Green	(683)	(1,292)	(609)
Land Charges	Red	(174)	(150)	24
Car Parking Fees	Red	(1,813)	(1,734)	79
Parking Penalty Charge Notices	Green	(410)	(546)	(136)

FUNDING, RISK AND GENERAL FUND BALANCE

- 8.9 The Council's revenue budget is funded from the following main sources; Council Tax, New Homes Bonus and Retained Business Rates income. The Council was notified by Central Government in February 2017 of the amount of New Homes Bonus it could expect to receive in 2017/18 and planned accordingly.
- 8.10 Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. At the end of 2017/18 there is a surplus on the NHDC share of the Council Tax Collection Fund of £257k and a deficit on the Business Rates Collection Fund of £624k.

- 8.11 The Central Government return submitted in January 2018 estimated a Business Rates Collection Fund deficit for 2017/18 of £656k. The contribution to the Collection Fund required in 2018/19 in respect of the deficit for 2017/18 is based on this January estimate. The £32k difference between the actual deficit of £624k and the January estimate of £656k will be included in the calculation of the estimated surplus/deficit for 2018/19 (submitted to Central Government in January 2019), and hence will affect the calculation of the Council's eligible retained business rates income for 2019/20.
- 8.12 The Council also receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes in to our funds rather than the Collection Fund. We are holding this amount in a reserve. Some of the amount held in reserve, £868k at the end of the year, will be used in the next financial year to fund the repayment of the £656k deficit highlighted above.
- 8.13 The Council is also subject to a business rates levy from Central Government as NHDC collects more in business rates than the baseline need determined by Central Government. The calculated levy required for 2017/18 is £685k. The payment of the levy has been funded from the grant held in reserve. In 2018/19 the Council will be a member of the Hertfordshire Business Rates Pool, with the expectation that this will reduce the levy amount required in 2018/19.
- 8.14 Table 5 below summarises the impact on the general fund balance of the outturn position detailed in this report. It should however be noted at this point that the Statement of Accounts is yet to be audited and changes to the General Fund balance may arise as a result of the final accounts audit.

Table 5 – General Fund impact

	Working Budget £k	Outturn £k	Difference £k
Brought Forward balance (1st April 2017)	(8,235)	(8,235)	-
Net Expenditure	16,475	16,053	(422)
Funding (Council Tax, Business Rates, RSG)	(15,589)	(15,589)	0
Contribution to Collection Fund	741	741	0
Funding from Reserves (including Business Rate Relief Grant)	(373)	(373)	0
Carried Forward balance (31st March 2018)	(6,981)	(7,403)	(422)

- 8.15 The minimum level of General Fund balance is determined based on known and unknown risks. Known risks are those things that we think could happen and we can forecast both a potential cost if they happen, and percentage likelihood. The notional amount is based on multiplying the cost by the potential likelihood. The notional amount for unknown risks is based on 5% of net expenditure. There is not an actual budget set aside for either of these risk types, so when they occur they are reflected as budget variances (see table 2). We monitor the level of known risks that actually happen, as it highlights whether there might be further variances. This would be likely if a number of risks come to fruition during the early part of the year. We also use this monitoring to inform the assessment of risks in future years. The notional amount calculated at the start of the year for known risks was £795k, and at the end of the year a total of £451k have come to fruition. The two identified risks realised in the final quarter relate to;
- Failure to achieve summons costs' income budget in relation to Council Tax (as highlighted in table 2) and Business Rates (included in the 'other minor variances' total in table 2). £46k

- Costs incurred associated with the progress of the local plan (included in the 'other minor variances' total in table 2). £20K

Table 6 – Known financial risks

	£'000
Original allowance for known financial risks	795
Known financial risks realised in Quarter 1	(144)
Known financial risks realised in Quarter 2	(158)
Known financial risks realised in Quarter 3	(83)
Known financial risks realised in Quarter 4	(66)
Remaining allowance for known financial risks	344

EARMARKED RESERVES

- 8.16 The Council has a number of earmarked reserves, which can be used to fund revenue expenditure. These are detailed in Table 6 below. A total of £2.736million has been contributed to the reserves in 2017/18 and a total of £1.666million has been used to fund expenditure.
- 8.17 Cabinet are asked to recommend to Council that the net contribution to reserves of £1.070million be approved (recommendation 2.4), which leaves a total balance in earmarked reserves at 31 March 2018 of £5.679million.

Table 7 – Earmarked Reserves

	Balance at 1 April 2017	Contributions to reserve	Payments to Fund expenditure	Balance at 31 March 2018
	£'000	£'000	£'000	£'000
Cemetery Mausoleum	129	11	0	140
Children's Services	8	0	0	8
Climate Change Grant	30	0	0	30
Community Development	1	0	0	1
Community Right to Bid	45	0	0	45
DCLG Grants	489	1,457	(1,078)	868
DWP Additional Grants	3	189	(63)	129
Environmental Warranty Reserve	209	0	0	209
Growth Area Fund	53	0	0	53
Homelessness	42	175	(14)	203
Housing Planning Delivery Reserve	368	612	(212)	768
Information Technology Reserve	82	0	0	82
Insurance Reserve	32	3	(1)	34
Leisure Management Reserve	89	0	(42)	47
Local Authority Mortgage Scheme	107	17	(124)	0
Museum Exhibits Reserve	13	1	(2)	12
Neighbourhood Plan Reserve	21	20	0	41
Office Move IT Works	7	0	0	7
Paintings Conservation	11	0	0	11
Personal Search Fees	161	0	(57)	104
Property Maintenance	67	10	(15)	62
Syrian Refugee Project	19	83	(15)	87
S106 Monitoring	68	0	(15)	53
Special Reserve	1,720	0	0	1,720

Street Furniture	10	12	(5)	17
Street Name Plates	38	0	(22)	16
Taxi Licences Reserve	13	0	0	13
Town Centre Maintenance	39	0	(1)	38
Town Wide Review	222	74	0	296
Waste Reserve	513	72	0	585
Total Revenue Reserves	4,609	2,736	(1,666)	5,679

9. LEGAL IMPLICATIONS

- 9.1 The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. Specifically 5.6.8 of Cabinet's terms of reference state that it has remit "to monitor quarterly revenue expenditure and agree adjustments within the overall budgetary framework". By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance.
- 9.2 The Accounts and Audit Regulations 2015 require that the Annual Statement of Accounts be approved and published by the deadline date of 31 July 2018. Members are reminded of the duty to set a balanced budget and to maintain a prudent level of reserves.

10. FINANCIAL IMPLICATIONS

- 10.1 Members have been advised of any variations from the budgets in the body of this report and of any action taken by officers.
- 10.2 The general fund balance of £7.403million (table 5) meets the recommended minimum balance of General Fund reserves agreed when the budget was set. The Statement of Accounts is however yet to be audited and changes to the General Fund balance may arise as a result of the final audit. As the Housing Benefit claim is also yet to be audited, the relevant values included in the reported outturn are based on un-audited figures.

11. RISK IMPLICATIONS

- 11.1 As outlined in the body of the report. The process of quarterly monitoring to Cabinet is a control mechanism to help to mitigate the risk of an unplanned overspend of the overall Council budget.

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 For any individual new revenue investment proposal of £50k or more, or affecting more than two wards, a brief equality analysis is required to be carried out to demonstrate that the authority has taken full account of any negative, or positive, equalities implications; this will take place following agreement of the investment.

13. SOCIAL VALUE IMPLICATIONS

13.1 The Social Value Act and “go local” policy do not apply to this report.

14. HUMAN RESOURCE IMPLICATIONS

14.1 Although there are no direct human resource implications at this stage, care is taken to ensure that where efficiency proposals or service reviews may effect staff, appropriate communication and consultation is provided in line with HR policy.

15. APPENDICES

15.1 None.

16. CONTACT OFFICERS

16.1 Antonio Ciampa, Accountancy Manager
antonio.ciampa@north-herts.gov.uk; ext 4566

16.2 Ian Couper, Service Director - Resources
ian.couper@north-herts.gov.uk; ext 4243

16.3 Kerry Shorrocks, Corporate Human Resources Manager
kerry.shorrocks@north-herts.gov.uk; ext 4224

16.4 Jeanette Thompson, Service Director – Legal & Community
jeanette.thompson@north-herts.gov.uk; ext 4370

16.5 Reuben Ayavoo, Senior Policy Officer
reuben.ayavoo@north-herts.gov.uk; ext 4212

17. BACKGROUND PAPERS

17.1 Budget Estimate Book 2017/18.

17.2 Statement of Accounts 2016/17.

FINANCE, AUDIT AND RISK COMMITTEE

18 JUNE 2018

PART 1 – PUBLIC DOCUMENT

AGENDA ITEM No.

14

The following is the report to be considered by the Cabinet at its meeting to be held on 19 June 2018. The Committee is invited to comment on the report.

TITLE OF REPORT: CAPITAL PROGRAMME OUTTURN 2017/18

REPORT OF: SERVICE DIRECTOR - RESOURCES
EXECUTIVE MEMBER: CLLR JULIAN CUNNINGHAM
COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 As at the end of financial year 2017/18, there is a reduction in spend compared to quarter 3 of **£1.495million**. The majority of this change is for expenditure that will now be incurred in 2018/19. The forecast increase in spend in future years is **£1.506million**.

2. RECOMMENDATIONS

- 2.1 That Cabinet notes expenditure of **£9.484million** in 2017/18 on the capital programme, paragraph 8.2 refers, and in particular the changes detailed in table 3 which resulted in a net increase on the working estimate of **£0.011million**.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2018/19 and onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2018/19 by **£1.506million** (re-profiled from 2017/18).
- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.
- 2.4 That Cabinet approves the application of **£1.437million** of capital receipts towards the 2017/18 capital programme and the drawdown of **£6.390million** from set aside receipts, paragraph 8.6 refers.

3. REASONS FOR RECOMMENDATIONS

- 3.1 Cabinet is required to approve adjustments to the capital programme.
- 3.2 Cabinet is required to ensure that the capital programme is fully funded.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 Options for capital investment are considered as part of the Corporate Business Planning process.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 Consultation on the capital expenditure report is not required. Members will be aware that consultation is incorporated into project plans of individual capital schemes as they are progressed.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 16th February 2018.

7. BACKGROUND

- 7.1 In February 2017, Council approved the capital programme for 2017/18 to 2020/21. This was subsequently amended by reprogramming from 2016/17 and changes in forecasts at quarter 1, 2 and 3. In February 2018, Council approved the capital programme for 2018/19 to 2021/22.

- 7.2 The Medium Term Financial Strategy for 2018 to 2023 confirmed that the Council will seek opportunities to utilise capital funding (including set aside receipts) for invest to save schemes and proposals that generate higher rates of return than standard treasury investments. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure.

8. RELEVANT CONSIDERATIONS

Capital Programme 2017/18

- 8.1 Summaries of the capital programme by Council priority and service are shown in appendix A together with the overall funding analysis and projected availability of capital funding balances (set aside and capital receipts). The full programme is detailed in Appendix B and shows the revised costs to date, together with the expected spend from 2018/19 to 2021/22 and the funding source for each capital scheme.
- 8.2 The outturn capital expenditure for 2017/18 is **£9.484million**. This is a reduction of **£1.495million** on that reported at the end of the third quarter. The decrease in spend is largely due to re-profiling spend in to future years. Table 1 below details the changes from what was reported at Quarter 3.

Table 1- Current Capital Estimates (compared to Quarter 3 forecasts)

	2017/18 £M	2018/19 £M	2018/19 to 2021/22 £M
Estimate as at Q3 2017/18	10.978	16.649	4.565
Change from Q3 Estimate	-1.494	1.506	0
Outturn 2017/18	9.484	18.155	4.565

8.3 Table 2 lists the schemes in the 2017/18 Capital Programme that will start or continue in 2018/19:

Table 2: Scheme Timetable Revision:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2017/18 Working Budget £'000	2017/18 Outturn £'000	Variance £'000	Comments	Estimated impact on 2018/19 onwards £'000
Purchase 14 & 15 Brand Street	550	0	-550	Negotiations with Hitchin Town Hall Limited on the terms of a purchase are ongoing.	550
North Herts Leisure Centre Development	1,922	1,702	-220	To cover related costs in 18/19 including the retention fee.	220
Letchworth Multi-Storey Parapet /Soffit / Decoration	147	9	-138	A specialist engineer was appointed to carry out concrete integrity testing, which will be utilised to formulate a schedule of works and specification. The concrete testing has been completed and we are currently awaiting the final report.	138
Food Waste Caddies	132	0	-132	New caddies were delivered in April 2018.	132
Hitchin Swim Centre Lift	100	3	-97	The work has taken longer due to tenders and agreeing final specification. An order has been placed and work is due to be undertaken May/June 2018.	97
Baldock Town Hall Improvements	77	2	-75	Management group at the Arts & Heritage Centre (former Baldock Town Hall) is undertaking major refurbishment & reconfiguration scheme to the majority of the ground floor, as well as other external improvements to the first floor. Works are likely to commence in September and continue in to 2019.	75

Scheme	2017/18 Working Budget £'000	2017/18 Outturn £'000	Variance £'000	Comments	Estimated impact on 2018/19 onwards £'000
Record Council Meetings	64	0	-64	This project was delayed due to the DCO refurbishment and building not being handed back until late January. This project has now been out to tender and the contract awarded. The works are due to start in August.	64
Ultra Violet Water System	50	0	-50	These works, which were organised by Stevenage Leisure, are now complete.	50
Disaster Recovery Set up	47	0	-47	This project was delayed due to the sickness of key staff and other staff concentrating on the DCO office moves. This project will now be picked up once the mezzanine flooring has been installed. This is required to continue as we need to upgrade some of the DR Services this year following an increase in technology with the Careline DR now being fully hosted at Unit 3.	47
Lairage Multi-Storey Safety & Equality	40	1	-39	A recommendation to refurbish the lifts within two years is the outcome from a specialist technical survey. Any safety items picked up from the survey will be addressed via an existing maintenance contract and it is recommended that equality improvements can be addressed as part of a full refurbishment. Budget provision is in place to refurbish the lifts during 2018/19.	39
Community Facilities Refurbishment	200	165	-35	The first grant awards were in May 2017 and three of the five schemes have been completed and the funding has been paid. The remainder is expected to be paid in 18/19. There were also six schemes approved in January 2018. As the funds are paid when the work is completed, these will mainly be funded from the previously agreed 18/19 grant allocation.	35

Scheme	2017/18 Working Budget £'000	2017/18 Outturn £'000	Variance £'000	Comments	Estimated impact on 2018/19 onwards £'000
Museum Services Development	101	141	40	Budget re-profiled into 18/19 at 3rd quarter but work carried out sooner than anticipated.	-40
Other minor slippage			-99		99
Total Revision to Budget Profile			-1,506		

8.4 There are also changes to the overall costs of schemes in 2017/18. These changes total a net increase of £0.011million and are detailed in Table 3:

Table 3: Changes to Capital Schemes Commencing in 2017/18:

(Key: - = reduction in capital expenditure, + = increase in capital expenditure)

Scheme	2017/18 Working Budget £'000	2017/18 Outturn £'000	Increase/Decrease £'000	Comments
S106 Projects	68	171	103	S106 funds have been released for community schemes. This mostly relates to cycle racks / shelters.
Disabled Facility Grants (DFG)	600	646	46	The budget was revised down at Quarter 2 but it was commented that there was uncertainty about the transition of the DFG function to the Hertfordshire Home Improvement Agency. In the end, the Housing & Public Protection Service continued to be involved in approval of grants for slightly longer than originally anticipated. However, the outturn is still below the original budget and is fully covered by the DFG grant that the Council receives from Central Government.
Off Street C/Parks Resurface	60	0	-60	Budget no longer required. There is sufficient budget provision in 18/19 so no need to reprofile.
Careline Alarms	30	0	-30	Budget not required as this has been completed as part of other work and the budget was sufficient to cover both.
Other minor changes			-48	
Total revision to scheme spend			11	

8.5 The following capital schemes have been completed during 2017/18:

- Neighbourhood CCTV Equipment
- Access Bridge Walsworth Common

- North Herts Leisure Centre Development
- Replace Fitness Equipment at Hitchin and Royston Leisure Centre
- Relay slabs at Hitchin Outdoor Pool
- Serby Avenue Play Area
- Jackmans Central Play Area
- Brook View Equipment
- Various IT Projects

Capital Programme 2017/18 Funding onwards

8.6 Table 4 below shows how the Council will fund the 2017/18 capital programme.

Table 4: Funding the Capital Programme:

	2017/18 Balance at start of year £M	2017/18 Additions £M	2017/18 Funding Used £M	2017/18 Balance at end of year £M
Useable Capital Receipts	3.224	1.303	(1.437)	3.090
Set-aside Receipts	16.642		(6.390)	10.252
S106 receipts			(0.471)	
Other third party grants and contributions			(1.186)	
Total	19.866	0	(9.843)	

8.7 The availability of third party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment.

9. LEGAL IMPLICATIONS

9.1 Cabinet's terms of reference under 5.6.7 specifically includes "to monitor expenditure on the capital programme and agree adjustments within the overall budgetary framework". The Cabinet also has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council. By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget.

9.2 Asset disposals must be handled in accordance with the Council's Contract Procurement Rules.

10. FINANCIAL IMPLICATIONS

10.1 The main financial implications are covered in section 8 of the report.

10.2 The Authority operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the next four-year programme it should be anticipated that the total spend over the period could be £2.394million higher than the estimated £22.719million.

10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced

the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0million currently earns the Authority approximately £7k a year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments. When the Capital Financing Requirement (CFR) reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further capital spend. The CFR at the 31 March 2018 is negative £10million.

- 10.4 The Council also aims to ensure that the level of planned capital spending in any one-year matches the capacity of the organisation to deliver the schemes to ensure that the impact on the revenue budget of loss of cash-flow investment income is minimised.

11. RISK IMPLICATIONS

- 11.1 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Board (if applicable). The key risks arising from the project may be recorded on Pentana (the Council's Performance & Risk management software). Some of the major capital projects have been included as the Council's Top Risks (such as the new North Hertfordshire Museum). The Top Risks are monitored by the Finance, Audit and Risk Committee.

- 11.2 Cabinet receives quarterly reports on project progress and forecast spend

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

- 12.2 For any individual new capital investment proposal of £50k or more, or affecting more than two wards, an equality analysis is required to be carried out; this will take place following Cabinet agreement of the investment. A sound management of funds ensures that the Council has sufficient monies to support the improvement of district facilities.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 12. Any individual capital scheme which is subject to the award of a public service contract will be evaluated in terms of its social value through the Council's procurement processes.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 There are no direct human resource implications.

15. APPENDICES

- 15.1 Appendix A - Capital Programme Summary 2017/18 onwards.
Appendix B - Capital Programme Detail including Funding 2017/18 onwards.

16. CONTACT OFFICERS

- 16.1 Report Writer – Dean Fury, Corporate Support Accountant, Tel 474509,
Dean.fury@north-herts.gov.uk

Ian Couper, Head of Finance, Performance and Asset Management,
Tel 474243, email ian.couper@north-herts.gov.uk

Antonio Ciampa, Accountancy Manager, Tel 474566, email,
Antonio.ciampa@north-herts.gov.uk

Reuben Ayavoo, Senior Corporate Policy officer, Tel 47212, email,
Reuben.ayavoo@north-herts.gov.uk

17. BACKGROUND PAPERS

- 17.1 2017/18 Budget Estimates Book.

<https://www.north-herts.gov.uk/sites/northherts-cms/files/Budget%20Estimates%20Book%202017-18%20Final%20for%20internet.pdf>

By Council Priority

Priority	2016/17 Outturn £	2017/18 Working Estimate £	2017/18 Outturn £	2017/18 Movement £	2018/19 Revised Estimate £	2019/20 Revised Estimate £	2020/21 Revised Estimate £	2021/22 Revised Estimate £
Attractive & Thriving	2,105,700	3,146,000	2,497,800	-648,200	4,345,100	0	300,000	0
Prosper & Protect	1,041,900	399,200	335,600	-63,600	4,871,200	150,000	0	0
Responsive & Efficient	2,538,400	7,433,100	6,650,300	-782,800	8,938,500	1,677,600	1,125,000	1,312,000
Grand Total	5,686,000	10,978,300	9,483,700	-1,494,600	18,154,800	1,827,600	1,425,000	1,312,000

By Service Group

Service Group	2016/17 Outturn £	2017/18 Working Estimate £	2017/18 Outturn £	2017/18 Movement £	2018/19 Revised Estimate £	2019/20 Revised Estimate £	2020/21 Revised Estimate £	2021/22 Revised Estimate £
Advances & Cash Incentives	0	0	0	0	1,096,000	0	0	0
Asset Management	1,395,400	6,091,300	5,532,300	-559,000	4,311,000	150,000	0	0
Building Control	0	0	0	0	0	0	0	0
CCTV	69,500	21,700	21,700	0	0	0	0	0
Community Services	427,500	371,200	364,000	-7,200	746,500	250,000	120,000	0
Computer Software and Equipment	409,500	340,200	142,600	-197,600	270,600	537,600	115,000	507,000
Corporate Items	2,100	10,600	0	-10,600	2,510,600	0	0	0
Growth Fund Projects	0	0	0	0	713,000	0	0	0
Leisure Facilities	1,965,500	3,025,800	2,600,300	-425,500	2,810,400	85,000	385,000	0
Museum & Arts	715,000	103,300	141,700	38,400	4,900	0	0	0
Parking	124,700	252,200	11,300	-240,900	1,154,800	0	0	0
Renovation & Reinstatement Grant Expenditure	544,300	630,000	669,800	39,800	805,000	805,000	805,000	805,000
Town Centre Enhancement	0	0	0	0	0	0	0	0
Waste Disposal	0	0	0	0	0	0	0	0
Waste collection	32,500	132,000	0	-132,000	3,732,000	0	0	0
Grand Total	5,686,000	10,978,300	9,483,700	-1,494,600	18,154,800	1,827,600	1,425,000	1,312,000

Capital Funding Source

Service Group	2016/17 Outturn £	2017/18 Working Estimate £	2017/18 Outturn £	2017/18 Movement £	2018/19 Revised Estimate £	2019/20 Revised Estimate £	2020/21 Revised Estimate £	2021/22 Revised Estimate £
Capital Receipt	2,328,100	1,858,200	1,436,700	-421,500	5,356,200	1,082,600	393,000	567,000
Government Grant	520,200	675,100	704,900	29,800	1,508,000	745,000	745,000	745,000
IT Reserve	0	0	0	0	0	0	0	0
Revenue Contribution / Borrowing	0	0	0	0	540,400	0	0	0
Other Capital Contributions	196,100	490,000	480,900	-9,100	163,000	0	250,000	0
S106 Funding	457,000	328,160	471,000	142,840	355,600	0	37,000	0
Drawdown of cash investments	2,184,600	7,626,840	6,390,200	-1,236,640	10,231,600	0	0	0
Grand Total	5,686,000	10,978,300	9,483,700	-1,494,600	18,154,800	1,827,600	1,425,000	1,312,000

Capital Receipt Analysis

	2016/17 Outturn £	2017/18 Working Budget £	2017/18 Revised Funding £		2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £
B/fwd Capital Receipt Funding	-5,452,940	-3,223,516	-3,223,516		-3,090,265	-234,065	-3,151,465	-3,508,465
Add: Capital Receipts Received in Year	-98,676	0	-1,303,449	-1,303,449	-2,500,000	-4,000,000	-750,000	-1,250,000
Less: Capital Receipts Used in Year	2,328,100	1,858,200	1,436,700	-421,500	5,356,200	1,082,600	393,000	567,000
C/Fwd Capital Receipt Funding	-3,223,516	-1,365,316	-3,090,265	-1,724,949	-234,065	-3,151,465	-3,508,465	-4,191,465

Set-Aside Receipts Analysis

	2016/17 Outturn £'000	2017/18 Working Budget £'000	2017/18 Revised Funding £'000		2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
B/fwd Set-Aside Receipt Funding	-18,827,000	-16,642,400	-16,642,400		-10,252,200	-20,600	-20,600	-20,600
Set-Aside Receipts Received in Year	0	0	0	0	0	0	0	0
Set -Aside Receipts Used in Year	2,184,600	7,626,840	6,390,200	-1,236,640	10,231,600	0	0	0
C/Fwd Set-Aside Receipt Funding	-16,642,400	-9,015,560	-10,252,200	-1,236,640	-20,600	-20,600	-20,600	-20,600

This page is intentionally left blank

Project		2016/17 Funding £	2017/18 Funding £	2018/19 Funding £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
40 KVA UPS Device or Battery Replacement	Capital Receipt				7,000		
40 KVA UPS Device or Battery Replacement Total		0	0	0	7,000	0	0
Additional PC's - Support Home Working/OAP	Capital Receipt				13,000		
Additional PC's - Support Home Working/OAP	Drawdown of cash investments		12,700				
Additional PC's - Support Home Working/OAP Total		0	12,700	0	13,000	0	0
Additional Storage	Capital Receipt				13,000		
Additional Storage	Drawdown of cash investments			12,000			
Additional Storage Total		0	0	12,000	13,000	0	0
Alternative to safeword tokens for staff/members working	Capital Receipt				8,000		
Alternative to safeword tokens for staff/members working		0	0	0	8,000	0	0
Area Visioning	Drawdown of cash investments	4,600	26,400				
Area Visioning Total		4,600	26,400	0	0	0	0
Back-up Diesel 40 KVA Generator (DCO)	Capital Receipt				20,000		
Back-up Diesel 40 KVA Generator (DCO) Total		0	0	0	20,000	0	0
Baldock Road Recreation Grounds	Capital Receipt	62,300					
Baldock Road Recreation Grounds Total		62,300	0	0	0	0	0
Baldock Town Hall project	Drawdown of cash investments	13,200		74,500			
Baldock Town Hall project	S106 Funding		1,500	800			
Baldock Town Hall project Total		13,200	1,500	75,300	0	0	0
Bancroft Gardens Play Area	Capital Receipt	12,800	36,800	2,200			
Bancroft Gardens Play Area	S106 Funding	8,300	11,500	3,400			
Bancroft Gardens Play Area Total		21,100	48,300	5,600	0	0	0
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	Capital Receipt			24,100			
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	Other Capital Contributions			80,000			
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	S106 Funding			65,900			

Project		2016/17 Funding £	2017/18 Funding £	2018/19 Funding £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA) Total		0	0	170,000	0	0	0
Burymead Road - new roof waterproofing system	Drawdown of cash investments	51,200					
Burymead Road - new roof waterproofing system Total		51,200	0	0	0	0	0
Butts Close renovation, Hitchin	Capital Receipt	3,700					
Butts Close renovation, Hitchin	S106 Funding	14,200					
Butts Close renovation, Hitchin Total		17,900	0	0	0	0	0
Cabinet Switches - 4 Floors	Capital Receipt						18,000
Cabinet Switches - 4 Floors	Drawdown of cash investments		6,700				
Cabinet Switches - 4 Floors Total		0	6,700	0	0	0	18,000
Cadcorp Local Knowledge & Notice Board Software	Capital Receipt			13,500			
Cadcorp Local Knowledge & Notice Board Software Total		0	0	13,500	0	0	0
Capitalised Pension Fund Contribution	Drawdown of cash investments			2,500,000			
Capitalised Pension Fund Contribution Total		0	0	2,500,000	0	0	0
Careline Community Alarms	Drawdown of cash investments	3,200					
Careline Community Alarms Total		3,200	0	0	0	0	0
CCTV cameras from tilt to dome mechanism	Capital Receipt	2,700					
CCTV cameras from tilt to dome mechanism Total		2,700	0	0	0	0	0
Channel shift - processing of housing register applications	Drawdown of cash investments			40,000			
Channel shift - processing of housing register applications Total		0	0	40,000	0	0	0
Construction of pathway and roadway, Wilbury Hills Cemetery, Letchworth	Capital Receipt			35,000			
Construction of pathway and roadway, Wilbury Hills Cemetery, Letchworth Total		0	0	35,000	0	0	0
Core Backbone Switch	Capital Receipt	10,100			20,000		
Core Backbone Switch Total		10,100	0	0	20,000	0	0
Council property improvements following condition surveys	Capital Receipt	260,000	63,600	315,000			

Project		2016/17 Funding £	2017/18 Funding £	2018/19 Funding £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
Council property improvements following condition surveys	Drawdown of cash investments			19,600			
Council property improvements following condition surveys	Revenue Contribution / Borrowing			540,400			
Council property improvements following condition surveys Total		260,000	63,600	875,000	0	0	0
Customer Relationship Manager software v8	Capital Receipt	1,000					
Customer Relationship Manager software v8 Total		1,000	0	0	0	0	0
Customer Self Serve Module	Capital Receipt			3,000			
Customer Self Serve Module Total		0	0	3,000	0	0	0
Cyber Attacks - Events Monitoring Software Solution	Capital Receipt			30,000			
Cyber Attacks - Events Monitoring Software Solution Total		0	0	30,000	0	0	0
Cycle Strategy implementation (GAF)	Government Grant			278,000			
Cycle Strategy implementation (GAF) Total		0	0	278,000	0	0	0
Decommissioning of Pavilions	Capital Receipt			120,000			
Decommissioning of Pavilions Total		0	0	120,000	0	0	0
Decommissioning of Play Areas	Capital Receipt			130,000			
Decommissioning of Play Areas Total		0	0	130,000	0	0	0
Dell Servers	Capital Receipt				65,000		
Dell Servers Total		0	0	0	65,000	0	0
Demolish 4 disused tennis courts and landscape to grass and planted area at Bancroft Recreation Ground, Hitchin	Capital Receipt	35,000					
Demolish 4 disused tennis courts and landscape to grass and planted area at Bancroft Recreation Ground, Hitchin	Drawdown of cash investments	3,200					
Demolish 4 disused tennis courts and landscape to grass and planted area at Bancroft Recreation Ground, Hitchin Total		38,200	0	0	0	0	0
Demolition of Bancroft Hall	Drawdown of cash investments	44,800		600			
Demolition of Bancroft Hall Total		44,800	0	600	0	0	0

Project		2016/17 Funding £	2017/18 Funding £	2018/19 Funding £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
Dog / Litter Bins	Capital Receipt		32,600				
Dog / Litter Bins Total		0	32,600	0	0	0	0
DR Set-up	Capital Receipt	42,100			25,000		
DR Set-up	Drawdown of cash investments			47,400			
DR Set-up Total		42,100	0	47,400	25,000	0	0
EA Agreement (MS EA) TN agreed funded within 4571 Account	Capital Receipt	90,000	-5,200		199,600		450,000
EA Agreement (MS EA) TN agreed funded within 4571 Account	Drawdown of cash investments	145,400					
EA Agreement (MS EA) TN agreed funded within 4571 Account Total		235,400	-5,200	0	199,600	0	450,000
Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract	Capital Receipt		28,000			39,000	
Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract Total		0	28,000	0	0	39,000	0
Email Encryption Software Solution	Capital Receipt	31,100				45,000	
Email Encryption Software Solution Total		31,100	0	0	0	45,000	0
Energy efficiency measures	Drawdown of cash investments		51,500	8,500			
Energy efficiency measures Total		0	51,500	8,500	0	0	0
Financial System upgrade - E-series	Drawdown of cash investments	3,700	4,400				
Financial System upgrade - E-series Total		3,700	4,400	0	0	0	0
Food Waste Caddies	Drawdown of cash investments			132,000			
Food Waste Caddies Total		0	0	132,000	0	0	0
Grange Recreation Ground Improvements	Capital Receipt	12,400					
Grange Recreation Ground Improvements	S106 Funding	2,800					
Grange Recreation Ground Improvements Total		15,200	0	0	0	0	0
Green Infrastructure implementation (GAF)	Government Grant			185,000			
Green Infrastructure implementation (GAF) Total		0	0	185,000	0	0	0
Hitchin & Royston Fitness Equipment	Other Capital Contributions		480,900				
Hitchin & Royston Fitness Equipment Total		0	480,900	0	0	0	0

Project		2016/17 Funding £	2017/18 Funding £	2018/19 Funding £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
Hitchin Multi Storey Safety and Equalities Act improvements	Drawdown of cash investments		700	39,300			
Hitchin Multi Storey Safety and Equalities Act improvements Total		0	700	39,300	0	0	0
Hitchin Outdoor Pool Showers and Toilets	Drawdown of cash investments			75,000			
Hitchin Outdoor Pool Showers and Toilets Total		0	0	75,000	0	0	0
Hitchin Swim Centre - small paddling pool resurfacing	Drawdown of cash investments	500					
Hitchin Swim Centre - small paddling pool resurfacing Total		500	0	0	0	0	0
Hitchin Swimming Centre Lift	Drawdown of cash investments		3,100	96,900			
Hitchin Swimming Centre Lift Total		0	3,100	96,900	0	0	0
Hitchin Swimming Pool Car Park extension	Capital Receipt	2,500	28,200	497,700			
Hitchin Swimming Pool Car Park extension Total		2,500	28,200	497,700	0	0	0
Improvements to fixing systems to glazed walkway, Lairage Car Park, Hitchin	Drawdown of cash investments	56,900					
Improvements to fixing systems to glazed walkway, Lairage Car Park Hitchin Total		56,900	0	0	0	0	0
Infrastructure: Back-Up Diesel 40 KVA Generator DCO	Capital Receipt	12,800					
Infrastructure: Back-Up Diesel 40 KVA Generator DCO Total		12,800	0	0	0	0	0
Installation of trial on-street charging (GAF)	Government Grant			50,000			
Installation of trial on-street charging (GAF) Total		0	0	50,000	0	0	0
Introduce a Traffic Regulation Order and Car park ticket machines into the 2 car parks at Norton Common	Capital Receipt	11,000					
Introduce a Traffic Regulation Order and Car park ticket machines into the 2 car parks at Norton Common Total		11,000	0	0	0	0	0
Jackmans Central Play Area Renovation	Capital Receipt		64,500				
Jackmans Central Play Area Renovation	S106 Funding		10,500				
Jackmans Central Play Area Renovation Total		0	75,000	0	0	0	0
Jackmans Creamery, Letchworth	Capital Receipt	23,400					

Project		2016/17 Funding £	2017/18 Funding £	2018/19 Funding £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
Jackmans Creamery, Letchworth Total		23,400	0	0	0	0	0
John Barker Place, Hitchin	Drawdown of cash investments			825,600			
John Barker Place, Hitchin	S106 Funding			270,400			
John Barker Place, Hitchin Total		0	0	1,096,000	0	0	0
Jontek Database Server	Government Grant		33,800				
Jontek Database Server Total		0	33,800	0	0	0	0
Lairage Multi-Storey Car Par - Structural wall repairs	Drawdown of cash investments	-2,400	1,700	124,000			
Lairage Multi-Storey Car Par - Structural wall repairs Total		-2,400	1,700	124,000	0	0	0
Laptops - Refresh Programme	Capital Receipt			6,000		6,000	
Laptops - Refresh Programme Total		0	0	6,000	0	6,000	0
Letchworth Multi_storey Car Park - parapet walls, soffit & decoration	Capital Receipt		8,900	137,600			
Letchworth Multi_storey Car Park - parapet walls, soffit & decoration Total		0	8,900	137,600	0	0	0
Letchworth multi-storey car park - lighting	Drawdown of cash investments			22,700			
Letchworth multi-storey car park - lighting Total		0	0	22,700	0	0	0
Letchworth Outdoor Pool safety surface	Capital Receipt		3,500	56,500			
Letchworth Outdoor Pool safety surface Total		0	3,500	56,500	0	0	0
Letchworth Outdoor Pool Showers and Toilets	Drawdown of cash investments			75,000			
Letchworth Outdoor Pool Showers and Toilets Total		0	0	75,000	0	0	0
Mandatory Disabled Facility Grants	Government Grant	520,200	645,800	745,000	745,000	745,000	745,000
Mandatory Disabled Facility Grants Total		520,200	645,800	745,000	745,000	745,000	745,000
Mobile CCTV camera replacement	Drawdown of cash investments	66,800					
Mobile CCTV camera replacement Total		66,800	0	0	0	0	0
New Blade Enclosure	Capital Receipt				32,000		
New Blade Enclosure Total		0	0	0	32,000	0	0
NH Museum & Community Facility	Drawdown of cash investments	477,900	92,700	4,900			
NH Museum & Community Facility	Other Capital Contributions	185,900					
NH Museum & Community Facility	S106 Funding		49,000				

Project		2016/17 Funding £	2017/18 Funding £	2018/19 Funding £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
NH Museum & Community Facility Total		663,800	141,700	4,900	0	0	0
North Herts Leisure Centre Development	Capital Receipt	1,408,900	892,400				
North Herts Leisure Centre Development	Drawdown of cash investments		744,100	220,100			
North Herts Leisure Centre Development	S106 Funding	48,100	65,600				
North Herts Leisure Centre Development Total		1,457,000	1,702,100	220,100	0	0	0
Norton Common Wheeled Sports improvements	Drawdown of cash investments		7,600				
Norton Common Wheeled Sports improvements	S106 Funding	11,000	142,100	9,300			
Norton Common Wheeled Sports improvements Total		11,000	149,700	9,300	0	0	0
Off Street Car Parks resurfacing and enhancement	Capital Receipt	68,800		91,200			
Off Street Car Parks resurfacing and enhancement Total		68,800	0	91,200	0	0	0
PC's - Refresh Programme	Capital Receipt	17,000		14,000	17,000	17,000	17,000
PC's - Refresh Programme	Drawdown of cash investments	8,000	20,000				
PC's Refresh Programme Total		25,000	20,000	14,000	17,000	17,000	17,000
Permit gateway Citizen - to enable customers to renew permits on line	Capital Receipt	4,300		10,700			
Permit gateway Citizen - to enable customers to renew permits on line Total		4,300	0	10,700	0	0	0
Pool filter refurb and UV system at North Herts Leisure Centre	Drawdown of cash investments	54,600					
Pool filter refurb and UV system at North Herts Leisure Centre Total		54,600	0	0	0	0	0
Portable Pendants	Government Grant		15,000				
Portable Pendants Total		0	15,000	0	0	0	0
Premises compliance enhancements	Drawdown of cash investments	-100					
Premises compliance enhancements Total		-100	0	0	0	0	0
Private Sector Grants	Capital Receipt	24,100	24,000	60,000	60,000	60,000	60,000
Private Sector Grants Total		24,100	24,000	60,000	60,000	60,000	60,000
Provide housing at market rents.	Capital Receipt			2,150,000	150,000		
Provide housing at market rents.	Drawdown of cash investments			700,000			
Provide housing at market rents. Total		0	0	2,850,000	150,000	0	0

Project		2016/17 Funding £	2017/18 Funding £	2018/19 Funding £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
Purchase of 14 & 15 Brand Street	Drawdown of cash investments			550,000			
Purchase of 14 & 15 Brand Street Total		0	0	550,000	0	0	0
Recording of Council Meetings	Capital Receipt			64,000			
Recording of Council Meetings Total		0	0	64,000	0	0	0
Refurbishment and improvement of community facilities	Capital Receipt		165,400	670,600	250,000	120,000	
Refurbishment and improvement of community facilities Total		0	165,400	670,600	250,000	120,000	0
Refurbishment of DCO	Drawdown of cash investments	613,200	5,288,100				
Refurbishment of DCO Total		613,200	5,288,100	0	0	0	0
Refurbishment of lifts at Lairage Car Park	Capital Receipt			360,000			
Refurbishment of lifts at Lairage Car Park Total		0	0	360,000	0	0	0
Relay concrete slabs that surround the Hitchin outdoor pool.	Capital Receipt	24,600	30,600	1,500			
Relay concrete slabs that surround the Hitchin outdoor pool. Total		24,600	30,600	1,500	0	0	0
Renew pathways at Bancroft Recreation Ground, Hitchin	Capital Receipt		14,600	23,100			
Renew pathways at Bancroft Recreation Ground, Hitchin	S106 Funding		12,300				
Renew pathways at Bancroft Recreation Ground, Hitchin Total		0	26,900	23,100	0	0	0
Renovate play area Howard Park, Letchworth	Capital Receipt					75,000	
Renovate play area Howard Park, Letchworth Total		0	0	0	0	75,000	0
Renovate play area King George V Recreation Ground, Hitchin	Capital Receipt				75,000		
Renovate play area King George V Recreation Ground, Hitchin Total		0	0	0	75,000	0	0
Renovate play area, District Park, Gt. Ashby	Capital Receipt			75,000			
Renovate play area, District Park, Gt. Ashby Total		0	0	75,000	0	0	0
Replace and enhance lighting at St Mary's Car Park	Capital Receipt			60,000			
Replace and enhance lighting at St Mary's Car Park Total		0	0	60,000	0	0	0
Replace items of equipment, Brook View, Hitchin	Capital Receipt		10,000				

Project		2016/17 Funding £	2017/18 Funding £	2018/19 Funding £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
Replace items of equipment, Brook View, Hitchin Total		0	10,000	0	0	0	0
Replace items of play equipment Holroyd Cres, Baldock	Capital Receipt					10,000	
Replace items of play equipment Holroyd Cres, Baldock Total		0	0	0	0	10,000	0
Replace items of play equipment Wilbury Recreation Ground, Letchworth	Capital Receipt				10,000		
Replace items of play equipment Wilbury Recreation Ground, Letchworth Total		0	0	0	10,000	0	0
Replace items of play equipment, Chiltern Road, Baldock	Capital Receipt			10,000			
Replace items of play equipment, Chiltern Road, Baldock Total		0	0	10,000	0	0	0
Replace main pool grating and overflow gullies at Hitchin Swim Centre	Capital Receipt	51,500	1,100				
Replace main pool grating and overflow gullies at Hitchin Swim Centre Total		51,500	1,100	0	0	0	0
Replace seating at Hitchin Swimming Centre	Drawdown of cash investments	9,900					
Replace seating at Hitchin Swimming Centre Total		9,900	0	0	0	0	0
Replacement of neighbourhood CCTV equipment	Capital Receipt		21,700				
Replacement of neighbourhood CCTV equipment Total		0	21,700	0	0	0	0
Replacement of Walsworth Common Access Bridge	Drawdown of cash investments	5,500	113,600	3,000			
Replacement of Walsworth Common Access Bridge Total		5,500	113,600	3,000	0	0	0
Replacement SAN	Capital Receipt				110,000		
Replacement SAN Total		0	0	0	110,000	0	0
Royston Leisure Centre extension	Drawdown of cash investments			1,000,000			
Royston Leisure Centre extension Total		0	0	1,000,000	0	0	0
Rural Community Halls Grant Scheme	Other Capital Contributions	10,200					
Rural Community Halls Grant Scheme Total		10,200	0	0	0	0	0
S106 Projects	S106 Funding	354,200	170,742				
S106 Projects Total		354,200	170,742	0	0	0	0
Scheme Alarms	Government Grant		10,300				

Project		2016/17 Funding £	2017/18 Funding £	2018/19 Funding £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
Scheme Alarms Total		0	10,300	0	0	0	0
Security - Firewalls	Capital Receipt						14,000
Security - Firewalls	Drawdown of cash investments		9,900	14,000			
Security - Firewalls Total		0	9,900	14,000	0	0	14,000
Serby Avenue Play Area renovation, Royston	Capital Receipt	67,200					
Serby Avenue Play Area renovation, Royston	S106 Funding		7,800				
Serby Avenue Play Area renovation, Royston Total		67,200	7,800	0	0	0	0
Server / Infrastructure Refresh	Capital Receipt	-4,200					
Server / Infrastructure Refresh Total		-4,200	0	0	0	0	0
Smithsons Recreation Ground	Capital Receipt	5,900	500				
Smithsons Recreation Ground	S106 Funding	18,400					
Smithsons Recreation Ground Total		24,300	500	0	0	0	0
Software for personalised bills and annual billing.	Capital Receipt	12,900		6,000			
Software for personalised bills and annual billing. Total		12,900	0	6,000	0	0	0
Splash Park at Bancroft Recreation Ground	Drawdown of cash investments	28,300		10,900			
Splash Park at Bancroft Recreation Ground	S106 Funding			800			
Splash Park at Bancroft Recreation Ground Total		28,300	0	11,700	0	0	0
Splash Park at Priory Memorial, Royston	Drawdown of cash investments	45,000		15,000			
Splash Park at Priory Memorial, Royston Total		45,000	0	15,000	0	0	0
SQL Licence Costs	Capital Receipt	25,000					
SQL Licence Costs Total		25,000	0	0	0	0	0
St John's Chapel Hitchin, Re-roofing	Capital Receipt	200					
St John's Chapel Hitchin, Re-roofing Total		200	0	0	0	0	0
St Mary's car park. Structural repairs to steps	Capital Receipt	1,400		35,000			
St Mary's car park. Structural repairs to steps Total		1,400	0	35,000	0	0	0
Storage Facilities	Capital Receipt		15,500	24,500			
Storage Facilities	Drawdown of cash investments	515,100					
Storage Facilities Total		515,100	15,500	24,500	0	0	0
Tablets - Android Devices	Capital Receipt	7,100			8,000	8,000	8,000
Tablets - Android Devices	Drawdown of cash investments		7,000	10,000			

Project		2016/17 Funding £	2017/18 Funding £	2018/19 Funding £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
Tablets - Android Devices Total		7,100	7,000	10,000	8,000	8,000	8,000
Telephony system	Drawdown of cash investments	2,100		10,600			
Telephony system Total		2,100	0	10,600	0	0	0
Town Centre pay & display machines for on-street charging	Capital Receipt			235,000			
Town Centre pay & display machines for on-street charging Total		0	0	235,000	0	0	0
Town Lodge - Various patch repairs to the roof	Drawdown of cash investments	1,500					
Town Lodge - Various patch repairs to the roof Total		1,500	0	0	0	0	0
Transport Plans implementation (GAF)	Government Grant			250,000			
Transport Plans implementation (GAF) Total		0	0	250,000	0	0	0
Ultra Violet water disinfection system	Capital Receipt			50,000			
Ultra Violet water disinfection system Total		0	0	50,000	0	0	0
Walsworth Common Pavilion - contribution to scheme	Capital Receipt					13,000	
Walsworth Common Pavilion - contribution to scheme	Other Capital Contributions					250,000	
Walsworth Common Pavilion - contribution to scheme	S106 Funding					37,000	
Walsworth Common Pavilion - contribution to scheme Total		0	0	0	0	300,000	0
Walsworth Common Pitch Improvements	Capital Receipt			15,000			
Walsworth Common Pitch Improvements Total		0	0	15,000	0	0	0
Other Capital Contributions	Other Capital Contributions			83,000			
Other Capital Contributions	S106 Funding			5,000			
Other Capital Contributions Total		0	0	88,000	0	0	0
Walsworth Common Reconstruction of Car Park	Capital Receipt			30,000			
Walsworth Common Reconstruction of Car Park Total		0	0	30,000	0	0	0
Waste and Street Cleansing Data Mgmt	Drawdown of cash investments	32,500					
Waste and Street Cleansing Data Mgmt Total		32,500	0	0	0	0	0
Waste and Street Cleansing Vehicles	Drawdown of cash investments			3,600,000			
Waste and Street Cleansing Vehicles Total		0	0	3,600,000	0	0	0
Westmill Community Centre Design Work	Capital Receipt	500					

Project	2016/17 Funding £	2017/18 Funding £	2018/19 Funding £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £
Westmill Community Centre Design Work Total	500	0	0	0	0	0
Grand Total	5,686,000	9,483,742	18,154,800	1,827,600	1,425,000	1,312,000

Summary

Capital Receipt	2,328,100	1,436,700	5,356,200	1,082,600	393,000	567,000
Government Grant	520,200	704,900	1,508,000	745,000	745,000	745,000
Revenue Contribution / Borrowing	0	0	540,400	0	0	0
Other Capital Contributions	196,100	480,900	163,000	0	250,000	0
S106 Funding	457,000	471,042	355,600	0	37,000	0
Drawdown of cash investments	2,184,600	6,390,200	10,231,600	0	0	0
	5,686,000	9,483,742	18,154,800	1,827,600	1,425,000	1,312,000

FINANCE, AUDIT AND RISK COMMITTEE
18 JUNE 2018

PART 1 – PUBLIC DOCUMENT

AGENDA ITEM No.

15

The following is the report to be considered by the Cabinet at its meeting to be held on 19 June 2018. The Committee is invited to comment on the report.

TITLE OF REPORT: ANNUAL TREASURY MANAGEMENT REVIEW 2017/18

REPORT OF: SERVICE DIRECTOR - RESOURCES
EXECUTIVE MEMBER : CLLR JULIAN CUNNINGHAM
COUNCIL PRIORITY : RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

- 1.1 During the year the Council has generated **£0.334million** of interest from its investments. This is slightly above the budgeted total of £0.320million. The Council continues to invest in smaller Building Societies (subject to checks that compare the size of the Society with that of the investment) but does not invest outside of the UK.
- 1.2 The Council has repaid £0.025million of borrowing during the year as it has matured. The Council has £0.455million of remaining borrowing. This borrowing is at a fixed rate for a fixed period. The premium incurred from repaying this borrowing early means that it is not worthwhile to do so.
- 1.3 The Council complied with its legislative and regulatory requirements throughout the year. There were however three minor breaches of the limit set on the percentage that can be invested with a single counterparty.
- 1.4 The forecast for 2018/19 is that investment income will continue to reduce due to both market conditions and the use of cash balances to fund the capital programme.

2. RECOMMENDATIONS

- 2.1 Cabinet is asked to note the position of Treasury Management activity as at the end of March 2018.
- 2.2 Cabinet is asked to recommend this report to Council and ask Council to:
 - 1) Approve the actual 2017/18 prudential and treasury indicators
 - 2) Note the annual Treasury Report for 2017/18.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To ensure the Council's continued compliance with both the CIPFA code of Practice on Treasury Management and the Local Government Act 2003, and that the Council manages its exposure to interest and capital risk.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 In general there is a relationship between the risk of an investment and the level of interest that is received (yield). Risk can be summarised under the headings of credit, liquidity and market. The risk appetite and approach of the Council determines what strategy it adopts. Whilst the focus is on managing risk, the interest received is an important income stream for the Council's General Fund.
- 4.2 Our Treasury advisors from Link Asset Services promote a different risk approach, particularly in relation to smaller Building Societies and non-UK investments. This option has been dismissed on the basis of Members' different view of risk and the impact on the general fund.

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 There is ongoing dialogue with the Authority's Cash Manager, Tradition and regular meetings with Treasury advisors (Link). The Link service includes regular updates on economic and political changes that may impact on the Council's borrowing and investment strategies, advice on rescheduling, information and prudent parameters in respect of investment counterparty creditworthiness, document templates, access to technical updates and to the Technical Advisory Group. The Executive Member for Finance IT Management is also regularly briefed.

6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 16th February 2018

7. BACKGROUND

- 7.1 Members adopted the 2017/18 Treasury Strategy at the meeting of full Council on the 9th February 2017. There were no changes from the 2016/17 Strategy although there were a couple of clarifications to the Property Fund criteria.
- 7.2 Members received updates on treasury activity at quarterly intervals during 2017/18, and this report represents the final quarterly update.

8. RELEVANT CONSIDERATIONS

- 8.1 Appendix A provides the Treasury Management update at year end. This document begins with information on the wider economic climate and hence provides context to Treasury activities. The remainder of the document contains an update on the Council's investment strategy.
- 8.2 In summary, the Council has generally operated both within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices. There were however three breaches of the expressed limit of "investing no more than 10% of outstanding investments with one counter party". An existing investment was renewed with National Counties Building Society on 20th March for £1.5M and although the total invested with them remained

unchanged, this was slightly over the 10% limit at 11.01%. Also two investments were placed with other Local Authorities in March that were over the 10% limit.

- 8.3 The Council generated £0.334M of interest during 2017/18. The average interest rate agreed on new deals during the year by Tradition was 1.0%. The average interest rate on all outstanding investments at the 31st March was 1.13%.
- 8.4 The Council's activities expose it to a variety of risks (credit, liquidity and market). The Treasury Strategy sets out the Authority's appetite for the level of exposure to these risks.
- 8.5 **Credit Risk** – The possibility that other parties fail to pay amounts due to the Authority.
- 8.6 The Council's counterparty list comprises mostly UK building societies and UK banks with a Fitch (a credit rating agency) credit rating greater than BBB but also includes other Local Authorities and Public Corporations.
- 8.7 **Liquidity Risk** – the possibility that the Authority may not have funds available to meet its commitments to make payments.
- 8.8 Investments were split between the Cash Manager, Tradition and the In-House team. The In-House investments cover the day to day cash flow activity of the Council whilst the Cash Manager's investments take advantage of higher long term interest rates when they become available. However the in-house team are now often able to access most of the deals that Tradition can, without paying a fee. During 2018/19 the Cash Manager will only be used where they can access better rates.
- 8.9 **Market Risk** - the possibility that financial loss might arise as a result of changes in interest rates.
- 8.10 Investing long term (greater than one year) currently achieves higher interest rates than short term deals. The risks of long term deals are:
- (i) The longer the time period the longer the investment is exposed to default.
 - (ii) If the investment has a fixed interest rate, interest rates could rise and the potential to invest at a higher rate will be lost until the investment matures.
- 8.11 Members have indicated that they are prepared to accept this risk within the limits expressed in the Treasury Strategy which allows no more than 40% of outstanding investments to be invested for longer than 365 days at any one time. At the end of the year the Council had £1.0M (3.3%) invested for longer than 365 days.
- 8.12 **Interest (Yield)** - This year has continued to prove challenging to find counterparties willing to pay a reasonable return on cash investments, either long or short term. The uncertainty around interest rate changes has continued in 17/18, with the latest predictions signalling the first increase to the base rate around December 2018.
- 8.13 The investments outstanding at the 31 March 2018 were £32.8million. This compares to a balance of £39.9million at 31 March 2017. The reduced balance reflects the use of maturing investments to fund capital expenditure. Investment in capital projects will continue during 2018/19 and combined with declining returns for new investments means that the estimated investment interest for 2018/19 is expected to be in the region of £0.17M.

9. LEGAL IMPLICATIONS

- 9.1 The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council.
- 9.2 Section 151 of the Local Government Act 1972 states that:
“every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.”
- 9.3 The Prudential Indicators comply with the Local Government Act 2003.

10. FINANCIAL IMPLICATIONS

- 10.1 These are covered in section 8, and in particular sections 8.11 to 8.13.

11. RISK IMPLICATIONS

- 11.1 Risks associated with treasury management and procedures to minimise risk are outlined in the Treasury Management Practices document, TMP1, which was adopted by Cabinet in July 2003 and is revisited annually as part of the Treasury Strategy review. The risk on the General Fund of a fall of investment interest below the budgeted level is dependant on banks and building societies need for borrowing. The introduction of the Funding for Lending Scheme which allows financial institutions access to low cost funding from Government for an extended period has impacted on their need to borrow and the rates at which they are prepared to borrow.

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 There are no direct equalities implications arising from this report.

13. SOCIAL VALUE IMPLICATIONS

- 13.1 The Social Value Act and “go local” policy do not apply to this report.

14. HUMAN RESOURCE IMPLICATIONS

- 14.1 There are no direct human resource or equality implications.

15. APPENDICES

- 15.1 Appendix A - Annual Treasury Management Review 2017/18.

16. CONTACT OFFICERS

Author

- 16.1 Dean Fury, Corporate Support Accountant, Tel 474509, email, dean.fury@north-herts.gov.uk

Contributors

- 16.2 Ian Couper, Head of Finance, Performance and Asset Management, Tel 474243, email ian.couper@north-herts.gov.uk
- 16.3 Antonio Ciampa, Accountancy Manager, Tel 474566, email, Antonio.ciampa@north-herts.gov.uk
- 16.4 Reuben Ayavoo, Senior Corporate Policy officer, Tel 47212, email, Reuben.ayavoo@north-herts.gov.uk

17. BACKGROUND PAPERS

Treasury Strategy 2017/18
CIPFA Prudential Code for Capital Finance in Local Authorities

This page is intentionally left blank

APPENDIX A

Annual Treasury Management Review 2017/18 – North Hertfordshire District Council

April 2018

Annual Treasury Management Review 2017/18

1. Introduction

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2017/18 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 09/02/2017)
- a mid-year (minimum) treasury update report (Council 21/11/2017)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

In addition, Cabinet has received quarterly treasury management update reports.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Finance Audit and Risk Committee before they were reported to the full Council.

2. The Economy and Interest Rates

During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up modestly in the second half of 2017. Consequently, market expectations during the autumn, rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%.

The 8 February MPC meeting minutes then revealed another sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected. Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017-18 and resulted in **investment rates** from 3 – 12 months increasing sharply during the spring quarter.

PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 0.25% for much of the year), compared to **US treasuries**. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

The major UK landmark event of the year was the inconclusive result of the **general election** on 8 June. However, this had relatively little impact on financial markets.

3. Overall Treasury Position as at 31 March 2018

During 2017/18, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Prudential and treasury indicators	2016/17 Actual £'000	2017/18 Forecast £'000	2017/18 Actual £'000
Capital expenditure	5,686	8,465	9,382
Capital Financing Requirement:	-16,6	-2,4	-10,2
External debt	480	455	455
Investments			
• Longer than 1 year	7,000	0	1,000
• Under 1 year	29,000	17,000	29,500
• Total	36,000	17,000	30,500
Net borrowing	-35,520	-16,565	-30,045

Capital spend increased during the year from an original budget of £8.465M to an actual of £9.382M. This was mainly due to the revision in the timetable for completion of schemes from 16/17 although there were also schemes that were delayed from 2017/18 in to 2018/19.

Other prudential and treasury indicators are to be found in the main body of this report. The Head of Finance, Performance and Asset Management also confirms that no borrowing was undertaken for a capital purpose and the statutory borrowing limit, (the authorised limit), was not breached.

4. The Strategy for 2017/18

The strategy in 2017/18 was to continue only lending to UK banks, building societies, money market funds, Local Authorities and property funds. Only UK banks with a credit rating, for longer term deals, greater than “BBB” and F3 or above for short term credit ratings were on the Council’s lending list. (These are Fitch definitions of ratings). Not all building societies are credit rated but this did not preclude them from the lending list as lending to a building society was dependant on their asset size. Where a society did have a rating, this was considered at the time of the deal taking into account the amount of investment and the length of the deal. As well as imposing maximum limits with each counter party, the overall percentage of outstanding investments with each counterparty was assessed to ensure a reasonable spread of investments.

Change in strategy during the year – the strategy adopted in the original Treasury Management Strategy Report for 2017/18, approved by the Council on 09/02/2017, was not changed during the year.

5. The Borrowing Requirement and Debt

The Council’s underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

This figure is a gauge of the Council’s indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2017/18 unfinanced capital expenditure (see above table), and prior years’ net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council’s treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council’s cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies, (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

Reducing the CFR – the Council’s underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council has a negative CFR so is not required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. MRP is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2017/18 MRP Policy, (as required by CLG Guidance), was approved as part of the Treasury Management Strategy Report for 2017/18 on 09/02/2017. Because the Council has a negative CFR there is no requirement currently to make an annual revenue charge (MRP).

The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against these schemes as a borrowing facility is included in the contract (if applicable).

CFR: General Fund	31 March 2017 Actual £'000	31 March 2018 Actual £'000
Opening balance	-18,767	-16.60
Add unfinanced capital expenditure (as above)	2.185	6.39
Less MRP/VRP	0	0
Less Finance Lease repayments	0.013	0.013
Closing balance	-16.60	-10.2

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2017/18) plus the estimates of any additional capital financing requirement for the current (2018/19) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs if required. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2017 Actual £'000	31 March 2018 Budget £'000	31 March 2018 Actual £'000
Gross borrowing position	.480	.455	455
CFR	-16,634	-2,427	-10,243

The CFR is negative as the Council has more cash investments than borrowing. Borrowing is historic and was undertaken prior to the housing stock transfer when the CFR was positive.

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the

power to borrow above this level. The table below demonstrates that during 2017/18 the Council has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. This boundary was not exceeded at any point during the year.

Actual financing costs as a proportion of net revenue stream - this indicator is the net cost of borrowing as a percentage of the total revenue budget. This would usually show how much of the overall budget is spent on borrowing costs. However as the Council's investment income exceeds the cost of interest on borrowing it is a negative number.

	2017/18 £'000
Authorised limit	6,000
Maximum gross borrowing position	480
Operational boundary	4,000
Average gross borrowing position	470
Financing costs as a proportion of net revenue stream	-2.3%

At the end of 2017/18 the Council's treasury position was as follows:

	31 March 2017 Principal £'000	Rate/ Return	31 March 2018 Principal £'000	Rate/ Return
Fixed rate borrowing:				
-PWLB	480	9.43%	455	9.59%
-Market	0		0	
Variable rate borrowing:				
-PWLB	0		0	
-Market	0		0	
Total debt	480	9.43%	455	9.59%
CFR	-16.6		-16.6	
Over / (under) borrowing	17.08		17.08	
Investments:				
- in house	7,500	0.66%	12,500	0.90%
- with managers	28,500	1.15%	18,000	1.17%
Total investments	36,000	1.12%	30,500	1.13%

The maturity structure of the debt portfolio was as follows:

	31 March 2017 Actual £'000	31 March 2017 Actual £'000
Under 12 months	25	16
12 months and within 24 months	16	17
24 months and within 5 years	53	55
5 years and within 10 years	97	92
10 years and above	289	275

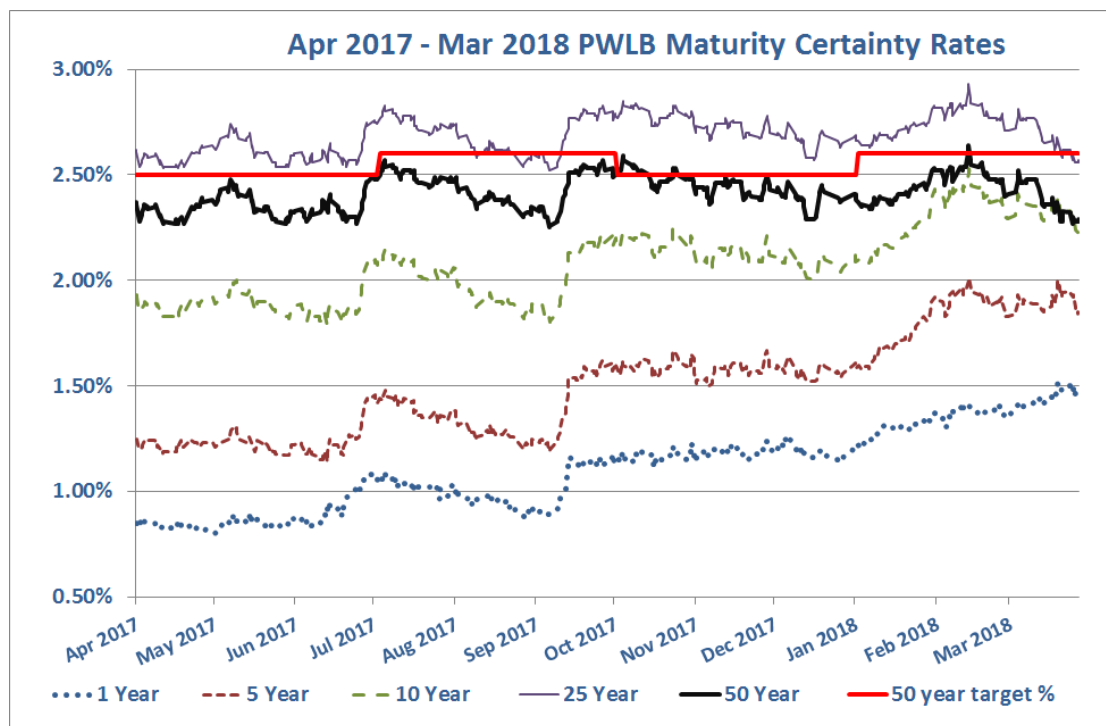
6. Borrowing Rates in 2017/18

PWLB certainty maturity borrowing rates

As depicted in the graph and tables below, PWLB 25 and 50 year rates have been volatile during the year with little consistent trend. However, shorter rates were on a rising trend during the second half of the year and reached peaks in February / March.

During the year, the 50 year PWLB target (certainty) rate for new long term borrowing was 2.50% in quarters 1 and 3 and 2.60% in quarters 2 and 4.

The graphs for PWLB rates show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



7. Borrowing Outturn for 2017/18

Borrowing

No new loans were taken during the year.

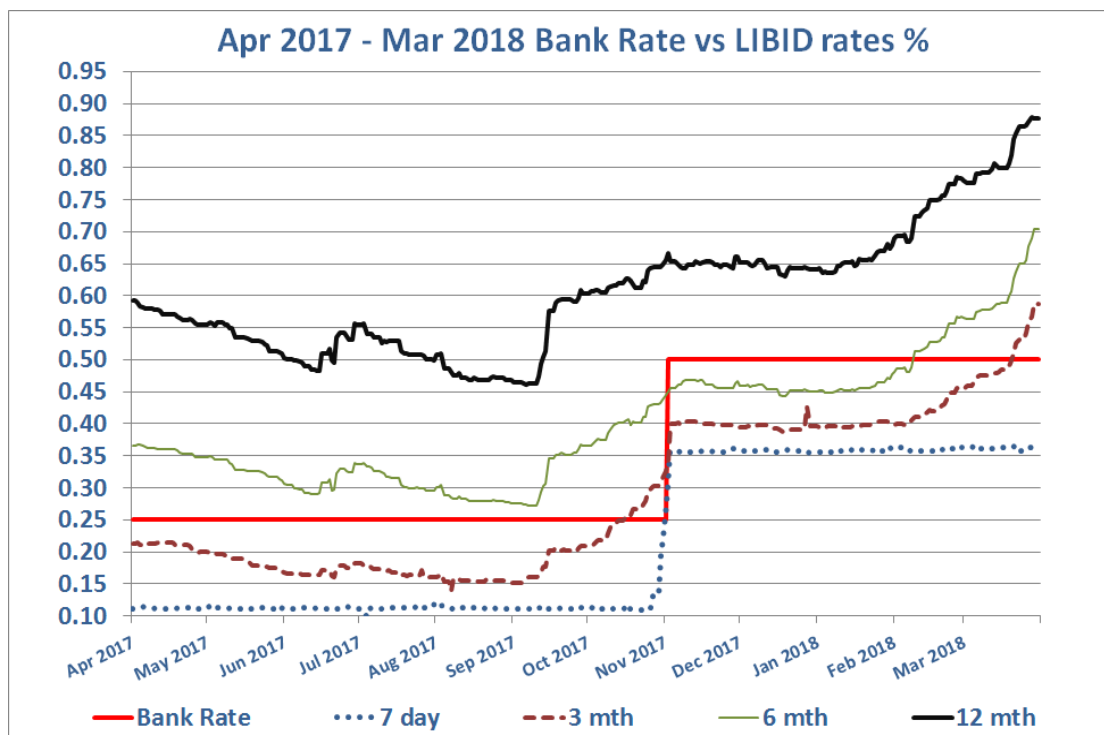
£25K of PWLB loans were repaid during the year

Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

8. Investment Rates in 2017/18

Investments rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March. Bank Rate was duly raised from 0.25% to 0.50% on 2.11.17 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28.2.18.



9. Investment Outturn for 2017/18

Investment Policy – the Council’s investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy approved by the Council on 09/02/17. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the Fitch credit rating agency for banks and asset size for building society investments.

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties. However, there were a couple of breaches to “investing no more than 10% of outstanding investments with one counter party”. An existing investment was renewed with National Counties Building Society on 20th March for £1.5M and although the total invested with them remained unchanged, this was slightly over the 10% limit at 11.01%. Also two investments were placed with other Local Authorities in March that were over the 10% limit. £4.0M with Telford and Wrekin Council at 11.9% and Slough Borough Council at 12.4%.

Investments placed by Cash Managers – the Council used an external cash manager to invest its longer term cash balances. At the start of the year, Tradition had £28.5m of outstanding investments. This reduced to £18.0m by the end of the year as investments were returned to finance Capital expenditure. The performance of the Tradition against the benchmark return was:

Cash Manager	Investments Placed	Interest	Return	Benchmark*
Tradition	£28.5M - £18.0M	£0.281M	1.17%	0.30%

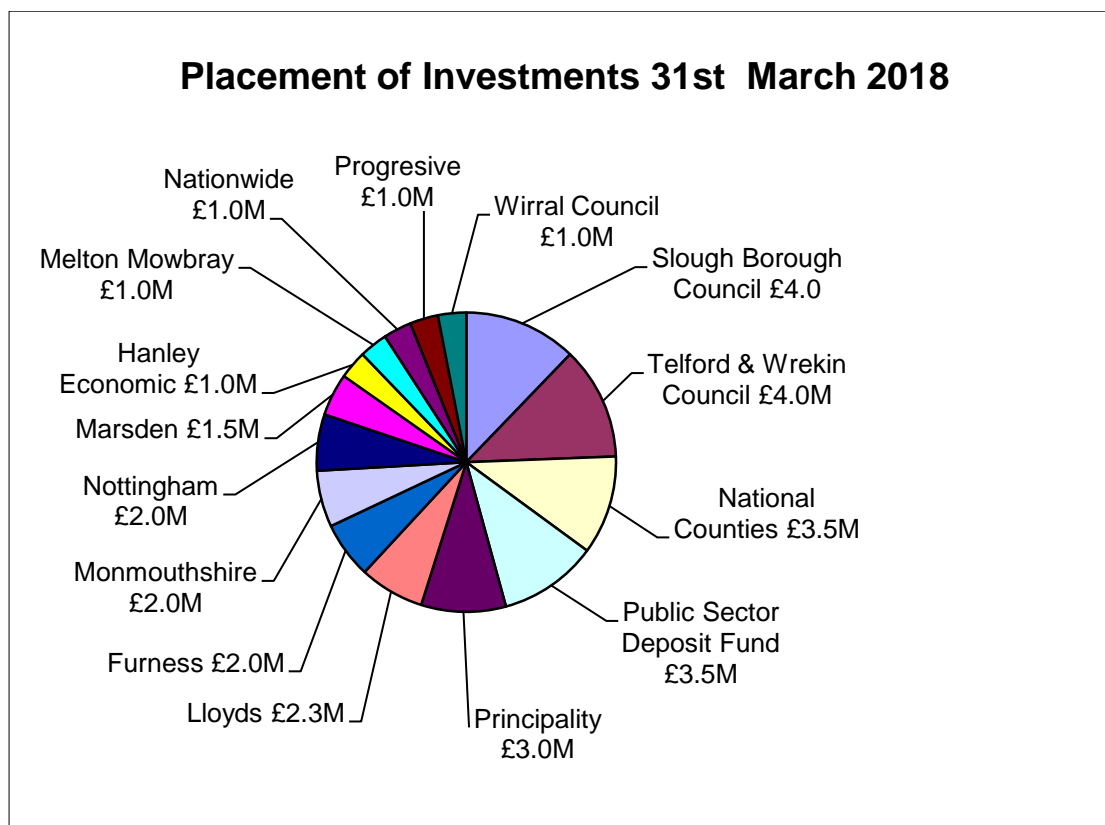
* Ave 7 days notice Rate 0.3%

This compares with an original budget of £0.228M.

The table below summaries where investments were held at 31 March and includes the Lloyds Bank interest bearing current account:

	Investments 31 March 2016 £'000	Investments 31 March 2017 £'000
Banks	13,400	2,300
Building Societies	20,500	18,000
Local Authorities	-	9,000
Money Market Funds	5,000	3,500
Total	38,900	32,800

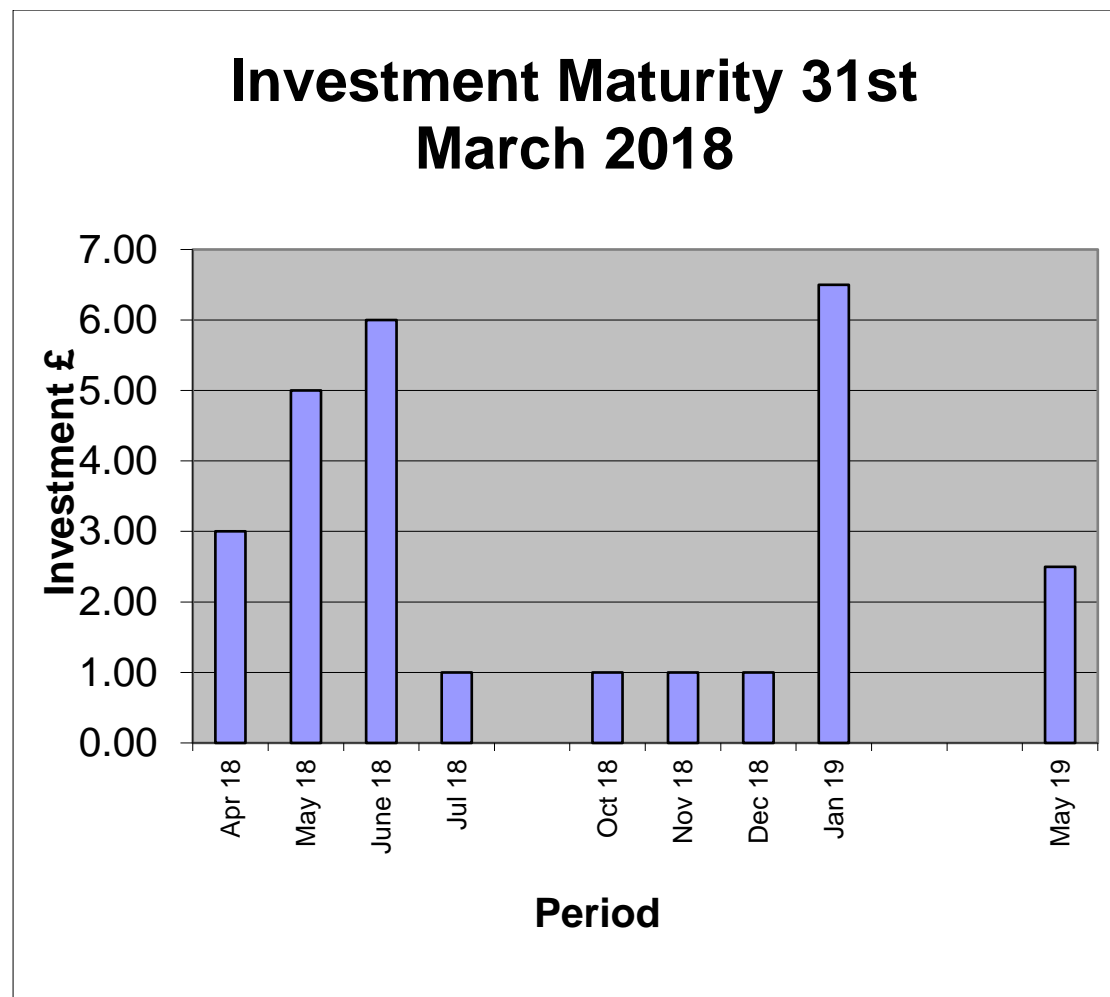
The pie chart below shows the spread of investment balances as at 31 March 2018. This is a snapshot in time that demonstrates the diversification of investments.



The average daily balance of investments was £42.2m with balances varying between £31.0m and £49.2m.

£0.334m of interest was generated from investments during the year. This is slightly more than the estimated interest of £0.320m.

The graph below shows the maturity profile of investments at 31st March 2018.



10. Other Issues

1. Revised CIPFA Codes

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code.

A particular focus of these revised codes was how to deal with local authority investments which are not treasury type investments e.g. by investing in purchasing property in order to generate income for the Authority at a much higher level than can be attained by treasury investments. One recommendation was that local authorities should produce a new report to members to give a high level summary of the overall capital strategy and to enable members to see how the cash resources of the Authority have been apportioned between treasury and non-treasury investments. Officers will report to members when the implications of these new codes have been assessed as to the likely impact on this Authority.

2. Markets in Financial Instruments Directive II (MiFID II)

The EU set the date of 3 January 2018 for the introduction of regulations under MIFID II. These regulations govern the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. This has had little effect on this Authority apart from having to fill in forms sent by each institution dealing with this Authority and for each type of investment instrument we use, apart from for cash deposits with banks and building societies.