

# Public Document Pack

8 March 2019

Our Ref Finance, Audit and Risk Committee  
Your Ref.  
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To: Members of the Committee: Councillors Terry Hone, Simon Harwood, Ian Albert, Kate Aspinwall, Jim McNally, Ian Moody and Terry Tyler

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

You are invited to attend a

## **MEETING OF THE FINANCE, AUDIT AND RISK COMMITTEE**

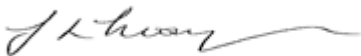
to be held in the

**COUNCIL CHAMBER, COUNCIL OFFICES,  
GERNON ROAD, LETCHWORTH GARDEN CITY**

On

**THURSDAY, 21ST MARCH, 2019 AT 7.30 PM**

Yours sincerely,



Jeanette Thompson  
Service Director – Legal and Community

## **Agenda** **Part I**

<b>Item</b>	<b>Page</b>
<b>1. APOLOGIES FOR ABSENCE</b>	
<b>2. MINUTES - 28 JANUARY 2019</b> To take as read and approve as a true record the minutes of the meeting of this Committee held on the 28 January 2019.  <i>To follow</i>	
<b>3. NOTIFICATION OF OTHER BUSINESS</b> 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.	
<b>4. CHAIRMAN'S ANNOUNCEMENTS</b> 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.	
<b>5. PUBLIC PARTICIPATION</b> To receive petitions and presentations from members of the public.	
<b>6. NHDC SIAS PROGRESS REPORT - MARCH 2019</b> To receive and note the Internal Audit Progress Report for the period to 1 March 2019. Note the proposed amendments to the 2018/19 Annual Audit Plan, and the implementation status of high priority recommendations.	(Pages 5 - 18)
<b>7. NHDC SIAS 2019-20 INTERNAL AUDIT PLAN REPORT - MARCH 2019</b> To receive the proposed North Herts District Council Internal Audit Plan for 2019/20.	(Pages 19 - 36)

8. **SHARED ANTI-FRAUD SERVICE (SAFS) - SAFS/NHDC ANTI-FRAUD ACTION PLAN** (Pages 37 - 78)  
 To review and approve the SAFS/NHDC Anti-Fraud Plan 2019/2020.  
 To read and review the LGA Councillors Workbook on Fraud & Bribery Prevention.
9. **LOCAL CODE OF GOVERNANCE STATEMENT (AGS) ACTION PLAN (2017/18) UPDATE** (Pages 79 - 98)  
 To consider the Local Code of Governance and progress against the Annual Governance Statement Action plan for 2018-19.
10. **RISK AND OPPORTUNITIES MANAGEMENT UPDATE** (Pages 99 - 110)  
 REPORT OF THE SERVICE DIRECTOR - RESOURCES  
 Quarterly update on the Corporate Risks.
11. **THIRD QUARTER REVENUE MONITORING 2018/19** (Pages 111 - 122)  
 REPORT OF THE SERVICE DIRECTOR - RESOURCES  
 To consider the Third Quarter Revenue Monitoring report for 2018/19.
12. **THIRD QUARTER CAPITAL MONITORING 2018/19** (Pages 123 - 136)  
 REPORT OF THE SERVICE DIRECTOR - RESOURCES  
 To consider the Third Quarter Capital Monitoring report for 2018/19.
13. **TREASURY MANAGEMENT THIRD QUARTER 2018/19** (Pages 137 - 154)  
 REPORT OF THE SERVICE DIRECTOR – RESOURCES  
 To inform Cabinet of the Treasury Management activities in the third quarter of 2018/19 to the end of December.
14. **FUTURE MEETINGS - POSSIBLE AGENDA ITEMS**  
 Introduced by the Chairman.

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**North Herts District Council**  
Finance, Audit and Risk Committee

SIAS Progress Report

21 March 2019

Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 1 March 2019,
- 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
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  - 1.2 Background
  
- 2 Audit Plan Update
  - 2.1 Delivery of Audit Plan and Key Findings
  - 2.3 High Priority Recommendations
  - 2.5 Proposed Amendments to the 2018/19 Annual Audit Plan
  - 2.7 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:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2018/19 as at 1 March 2019.
  - b) Implementation status of previously agreed high priority audit recommendations and request to agree removal of completed actions.
  - c) Proposed amendments to the 2018/19 Annual Audit report
  - d) An update on performance management information as at 1 March 2019.

## 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 fourth and final 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 The following final reports have been issued since 30 November 2018 (cut-off date for the SIAS Update Report for 17 December 2018 FAR Committee):

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Crematorium	December 2018	Satisfactory	2 Medium, 1 Low
Homelessness Reduction Act	December 2018	Satisfactory	2 Medium
NDR	January 2019	Good	2 Low
Apprenticeship Levy	January 2019	Satisfactory	2 Medium
Council Tax	January 2019	Good	2 Low
Capital Programme	January	Satisfactory	5 Medium, 3 Low

	2019		
Museum Services	February 2019	Limited	1 High, 2 Low
Housing Benefits	February 2019	Good	N/A
Integra 2	March 2019	Satisfactory	1 Medium, 2 Low

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

#### High Priority Recommendations

2.3 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.

2.4 We have made one new high priority recommendation as a consequence of the work undertaken in the audits detailed in paragraph 2.2 above. This relates to the Museum Services audit completed. Further details can be found in Appendix B.

#### Proposed Amendments

2.5 There are no proposed amendments to the Annual Audit Plan.

#### Performance Management

#### Reporting of Audit Plan Delivery Progress

2.6 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.

<b>Summary – 1 March 2018</b>			
<b>Status</b>	<b>No. of audits at this stage</b>	<b>% of total audits (33)</b>	<b>Profile to date</b>
Draft / Final Report Issued	22	67%	73% (24/33)
In Fieldwork / Quality Review	9	27%	21% (7/33)
Terms of Reference Issued / In Planning	2	6%	6% (2/33)
Yet to be planned / Allocated	0	0%	0% (0/33)



Deferred	0
Cancelled from the plan	2

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

2.8 As at 1 March 2019, 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 1 March 2018	Actual to 1 March 2018
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	85% (306 / 359.5 days)	83% (297 / 359.5 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	73% (24 / 33 projects)	67% (22 / 33 projects)
<b>3. Client Satisfaction with Conduct of the Audit</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (9/14 surveys returned)
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	100%

2.9 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 1 MARCH 2018**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
<b>Key Financial Systems</b>									
Integra 2 – General Ledger, Debtors and Creditors	Satisfactory	0	0	1	2	25	Yes	25	Final Report Issued
Corporate Debt Management						15	Yes	14	Quality Review
Treasury Management	Good	0	0	0	0	6	Yes	6	Final Report Issued
Council Tax	Good	0	0	0	2	10	Yes	10	Final Report Issued
NDR	Good	0	0	0	2	10	Yes	10	Final Report Issued
Benefits & Rent Allowances	Good	0	0	0	0	10	Yes	10	Final Report Issued
Payroll						8	Yes	2	In Fieldwork
<b>Operational Audits</b>									
Green Space Strategy Management						10	Yes	1	In Planning
S106	Satisfactory	0	0	2	0	11	Yes	11	Final Report Issued
Crematorium	Satisfactory	0	0	2	0	10	Yes	10	Final Report Issued
Museum Services	Limited	0	1	0	2	10	Yes	10	Final Report Issued
Learning Management System						10	Yes	2	In Fieldwork
Overtime and Expenses	Satisfactory	0	0	4	0	13	Yes	13	Final Report Issued
Apprenticeship Levy	Satisfactory	0	0	2	0	10	Yes	10	Final Report Issued
Homelessness Reduction Act	Satisfactory	0	0	2	0	12	Yes	12	Final Report Issued
General Data Protection Regulations	Satisfactory	0	0	4	0	15	Yes	15	Final Report Issued
Careline Alarm Receiving Centre Relocation	Good	0	0	0	2	6	Yes	6	Final Report Issued

**APPENDIX A – PROGRESS AGAINST THE 2018/19 AUDIT PLAN AS AT 1 MARCH 2018**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Home Improvement Agency						2	Yes	2	Draft Report Issued
Original Documentation – Consultancy Review	Not Assessed	0	0	0	0	2.5	Yes	2.5	Final Report Issued
Capital Programme	Satisfactory	0	0	5	3	10	Yes	10	Final Report Issued
Health and Safety	Good	0	0	0	1	6	Yes	6	Final Report Issued
CCTV	Limited	0	9*	0	0	2	Yes	2	Final Report Issued
<b>Procurement / Contracts</b>									
Waste Contract – Client Services						16	Yes	9.5	In Fieldwork
Markets – Contract Management						5	Yes	0.5	In Planning
Outbound Mail Contract						10	Yes	2	In Fieldwork
Property Compliance Contract						10	Yes	7	In Fieldwork
Procurement						10	Yes	5.5	In Fieldwork
<b>Corporate Governance</b>									
Corporate Governance						12	Yes	1	In Fieldwork
<b>IT Audits</b>									
Software Licence Management	Good	0	0	0	0	12	Yes	12	Final Report Issued
PSN Accreditation						12	Yes	11	Quality Review
<b>Shared Learning and Joint Reviews</b>									
Joint Reviews						2		2	
Shared Learning						3		3	Through Year

**APPENDIX A – PROGRESS AGAINST THE 2018/19 AUDIT PLAN AS AT 1 MARCH 2018**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
<b>Contingency &amp; Ad Hoc Activity</b>									
Contingency						0.5			As Required
Election Support						0			Cancelled
Review of FAR	Not Assessed	0	0	0	0	3	Yes	3	Final Report Issued
DFG Grant certification	Not Assessed	0	0	0	0	2	Yes	2	Final Report Issued
King George V Playing Fields	Not Assessed	0	0	0	0	1	Yes	1	Final Report Issued
<b>Strategic Support</b>									
Head of Internal Audit Opinion 2017/18						3	Yes	3	Complete
Audit Committee						10	Yes	10	Through Year
Client Meetings						8	Yes	8	Through Year
Liaison with External Audit						1	Yes	1	Through Year
Progress Monitoring						10	Yes	10	Through Year
SIAS Development						5	Yes	5	Through Year
2019/20 Audit Planning						6	Yes	6	Through Year
<b>2017/18 Projects requiring completion</b>									
Commercialisation						1	Yes	1	Cancelled
Waste Contract – Green Waste Charging						3	Yes	3	Cancelled – merged with Waste Contract audit
Finalisation of Projects						1	Yes	1	Complete
<b>Total - North Herts D.C.</b>		<b>0</b>	<b>1</b>	<b>22</b>	<b>14</b>	<b>360</b>		<b>297</b>	

\* - High priority recommendations from the CCTV review have not been included in the overall total number of recommendations as these are owned by Stevenage Borough Council (lead authority for the audit) and are monitored by the CCTV Committee.

**APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (March 2019)
1.	Museum Services  February 2019	<p>We recommend that the Council implements a plan to address the future storage that it will face.</p> <p>There are several options to consider:</p> <p>a) Invest in a new storage facility that is larger and has greater capacity to house an expanding range of artefacts;</p> <p>b) Purchase additional space to handle the overflow from the current storage facility; or</p> <p>c) Invest resources to undertake rationalisation of the</p>	<p>The Council is aware that the long term storage requirements need to be investigated and will undertake an options appraisal to identify the best approach to try and resolve this.</p>	Service Director (Commercial)	30 April 2020	N/A at this time.	N/A at this time.

**APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS**

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (March 2019)
		<p>current artefacts in storage.</p> <p>All of the above have cost implications, both time and financial costs, therefore a cost benefit analysis should be completed to support the management decision.</p>					

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

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





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

<b>Final Report Issued</b>				<b>In Fieldwork</b>	
Capital Programme – moved from January					
<b>Final Report Issued</b>					



**APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2018/19**

Assurance Level	Definition
<b>Good</b>	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.
<b>Satisfactory</b>	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
<b>Limited</b>	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.
<b>No</b>	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	<b>Critical</b>	 Red 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.
Service	<b>High</b>	 Amber 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.
	<b>Medium</b>	 Yellow 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.
	<b>Low / Advisory</b>	 Green 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.

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**North Hertfordshire District Council**  
Finance, Audit and Risk Committee

2019/20 Internal Audit Plan Report

21 March 2019

Recommendation

Members are recommended to approve the  
proposed North Herts District Council  
Internal Audit Plan for 2019/20

## Contents

### 1. Introduction and Background

- 1.1 Purpose
- 1.2 Background

### 2. Audit Planning Process

- 2.1 Planning Principles
- 2.2 Approach to Planning
- 2.4 Planning Context
- 2.7 Internal Audit Plan 2019/20

### 3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

## Appendices

- A Proposed North Herts District Council Audit Plan 2019/20
- B Proposed North Herts District Council Audit Plan 2019/20 – Reserve List
- C Audit Start Dates Agreed with Management

# 1. Introduction and Background

## Purpose of Report

- 1.1 To provide Members with the proposed North Herts District Council (the Council) 2018/19 Internal Audit Plan.

## Background

- 1.2 The Council's Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit annual report.
- 1.3 The Shared Internal Audit Service's (SIAS) Audit Charter which was presented to the June 2018 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the June 2019 FAR Committee meeting for Member approval.
- 1.4 The PSIAS require that the audit plan incorporates or is linked to a strategic or high-level statement which:
  - Outlines how the service will be developed in accordance with the internal audit charter
  - Details how the internal audit plan will be delivered
  - Evidences how the service links to organisational objectives and priorities
- 1.5 Section 2 of this report details how SIAS complies with this requirement.

# 2. Audit Planning Process

## Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:
  - a) Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.

- b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.
- c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.
- d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource-constrained environment, all needs cannot be met.
- e) Identification of responsibilities where services are delivered in partnership.
- f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.
- g) Capacity to deliver key commitments including governance work.
- h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

#### Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS applies a methodology at all its partners which contains the following elements:

#### *Local and National Horizon Scanning*

SIAS reviews, on an ongoing basis:

- Key committee reports at each client and identifies emerging risks and issues;
- The professional and national press for risks and issues emerging at national level.

#### *Consideration of risk management arrangements*

SIAS assesses the risk maturity of the Council and based on this assessment, determines the extent to which information contained within the Council's risk register informs the identification of potential audit areas.

#### *Confirmation of the council's objectives and priorities*

SIAS confirms the current objectives and priorities of the Council. This information is used to confirm that identified auditable areas will provide

assurance on areas directly linked to the achievement of the Council's objectives and priorities.

2.3 The approach to audit planning for 2019/20 has been characterised by:

- a) Detailed discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

*Risk Assessment*

Managers and SIAS agree the level of risk associated with an identified auditable area

*Other sources of Assurance*

Managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

*Significance*

Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

*Timings*

Managers identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.
- c) The proposed 2019/20 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted.
- d) The views of the Chair of the Audit Committee are sought to confirm that their requirements are adequately addressed.

This approach ensures that our work gives assurance on what is important, focussing on those areas of highest risk, and supports the Council in achieving its objectives.

The Planning Context

2.4 The context within which local authorities provide their services remains challenging:

- Latest forecasts show a cloudy outlook for the UK economy, reflecting increasing national and international uncertainties. Local

authorities will need to be attuned to the impact on their local economies and any direct investments of their own.

- Demand continues to rise, driven by complex needs, an ageing population and challenges in the healthcare system. With reduced financial support, local authorities will have to continue to become more innovative and commercial.
- Digital transformation continues to offer opportunities along with significant risks. The innovative use of technology is helping to reduce costs, as well as be more efficient and transparent. However, factors such as security, privacy, ethical and regulatory compliance are a recognised concern.
- Major national programmes in areas like business rates, public health and housing mean the overall financial environment remains relatively unstable.

2.5 The resultant efficiency and transformation programme that councils are in the process of implementing and developing continues to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.6 The challenge of giving value in this context, means that Internal Audit needs to:

- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives;
- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective;
- Give assurance which covers the control environment in relation to new developments, using audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate
- Retain flexibility in the audit plan and ensure it remains current and relevant as the financial year progresses

#### Internal Audit Plan 2019/20

2.7 The draft plan for 2019/20 is included at Appendix A and B and contains a high-level proposed outline scope for each audit; Appendix C details the agreed start months. The number of days purchased in 2019/20 has reduced by 20 days, which for North Herts District Council



equates to a reduction from 360 days (in 2018/19) to 340 days (in 2019/20).

- 2.8 The table below shows the estimated allocation of the total annual number of purchased audit days for the year and the allocated budgets for 2018/19, as reported to FAR on 21 March 2018, for comparison and to demonstrate where the audit days saving has been achieved.

	<b>2019/20 Days</b>	<b>%</b>	<b>2018/19 Days</b>	<b>%</b>
Key Financial Systems	67	20	84	23
Corporate Audits (Council Wide)	65	19	129	36
Operational Audits	90	26		
Procurement / Contracts	15	4	30	8
IT Audits	37	11	24	7
Corporate Governance / Counter Fraud	2	1	12	3
Joint Reviews and Shared Learning	5	2	5	1
Strategic Support*	41	12	43	12
Contingency and other	3	1	13	4
Carry forward work from 18/19	15	4	20	6

<b>Total allocated days</b>	<b>340</b>	<b>100%</b>	<b>360</b>	<b>100%</b>
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\* This covers supporting the Audit Committee, monitoring delivery of the audit plan, client liaison and planning for 2020/21.

- 2.9 A list of reserve audits that will be considered as a substitute for an agreed planned review that is cancelled in-year is presented at Appendix B.
- 2.10 Any significant audit plan changes agreed between Management and SIAS will be brought before this committee for approval through the usual plan update reporting cycle.
- 2.11 Members will note the inclusion of a provision for the completion of projects that relate to 2018/19. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time, e.g. year end closure procedures.
- 2.12 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan,

which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

### 3. Performance Management

#### Update Reporting

- 3.1 SIAS is required to report its work 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. Progress against the agreed plan for 2019/20 and any proposed changes will be reported to this Committee four times in the 2019/20 civic year.
- 3.2 SIAS will report on the implementation of agreed high priority recommendations as part of the update reporting process.

#### Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board meeting on the 7 September 2011 and are reviewed annually by the Board. Details of the targets set for 2019/20 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
<p><b>1. Planned Days</b> percentage of actual billable days against planned chargeable days completed.</p>	95%
<p><b>2. Planned Projects</b> percentage of actual completed projects to draft report stage against planned completed projects Note: To be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the</p>	95%

audit plan.	
<b>3. Client Satisfaction</b> percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%
<b>5. External Auditor Satisfaction</b>	<p>External Auditors are able to rely upon the range and quality of SIAS' work</p> <p>Not applicable at NHDC as External Audit does not currently place reliance on the work of SIAS</p>
<b>6. Annual Plan</b>	Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year
<b>7. Head of Assurance's Annual Report</b>	Presented to the first meeting of each Audit Committee in the new financial year.

## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20

Audit	Proposed Scope, Audit Sponsor and Origin		Proposed Quarter	Proposed Days
KEY FINANCIAL SYSTEMS Page 28	Audit Sponsor	Service Director (Resources)	Q3	14
	Origin	Cyclical / Annual Audit		
	Proposed Scope	Detailed scope to be agreed with management when the audit commences. A high-level scope could include: a) System Access b) Reconciliations c) Supplier set up and amendment d) Authorisations e) Reporting		
Treasury Management Strategy	Audit Sponsor	Service Director (Resources)	Q3	8
	Origin	Cyclical / Annual Audit		
	Proposed Scope	a) Treasury Management Strategy b) Investments c) Limits with Counterparties d) Reporting		
Expenses	Audit Sponsor	Service Director (Resources)	Q3	10
	Origin	Management request		
	Proposed Scope	To provide assurance that there are robust policies and procedures in place to manage expenses, expense claims are supported by evidence and subject to suitable authorisation and that expenses are paid in line with agreed rates.		
Budgetary Control	Audit Sponsor	Service Director (Resources)	Q3	10
	Origin	Horizon Scanning		
	Proposed Scope	To provide assurance that sufficient governance exists to support budget managers in effectively monitoring their budgets, this includes variance reporting and challenging and evidence that monitoring has taken place.		
Revenues	Audit Sponsor	Service Director (Customers)	Q3	15
	Origin	Cyclical / Annual Audit		
	Proposed Scope	Covering both Council Tax and Business Rates, assurance to be provided over: a) Discount, Exemptions and Reliefs (mandatory and discretionary) b) System Access to Northgate c) Recovery and Collection of Arrears (including use of enforcement agents)		
Benefits	Audit Sponsor	Service Director (Customers)	Q3	10
	Origin	Cyclical / Annual Audit		

## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20

Audit	Proposed Scope, Audit Sponsor and Origin	Proposed Quarter	Proposed Days
	<b>Proposed Scope</b> a) Response to Universal Credit, including the processing of HB stop notices b) Overpayments, Recovery and Write Offs		

Audit	Proposed Scope, Audit Sponsor and Origin	Proposed Quarter	Proposed Days	
Page 29 CORPORATE AUDITS	<b>Audit Sponsor</b> Service Director (Resources)		Q2	
	<b>Origin</b> Horizon Scanning			
	<b>Proposed Scope</b> To provide assurance that the arrangements in place to monitor and report performance information are robust, performance data is reliable and has integrity and third party data has been subject to sufficient quality checks. In addition, assessing the use of non-reported performance information and the value of collecting such data.			15
	Data Quality of Performance Information	<b>Audit Sponsor</b> Service Director (Resources)		Q1
		<b>Origin</b> Corporate Risk (CR07)		
		<b>Proposed Scope</b> To provide assurance that strategies and plans are in place to ensure the best staff are recruited and retained, succession plans are in place (particularly in hard to fill services). In addition, to assess the arrangements in place to monitor the capacity and capability of the workforce.		
	Workforce Planning and Development	<b>Audit Sponsor</b> Senior Management Team		Q2
		<b>Origin</b> Horizon Scanning		
		<b>Proposed Scope</b> To provide assurance over the Council's business continuity plans in response to unknown / unspecified risks (e.g. Brexit). The review to include assignment of roles and responsibilities, training and testing of resilience plans.		
	Corporate Resilience	<b>Audit Sponsor</b> Senior Management Team		Q4
		<b>Origin</b> Horizon Scanning		
		<b>Proposed Scope</b> To provide assurance over the arrangements in place to support corporate change, including methodology used, governance framework to oversee change and communication throughout the change process.		
Corporate Change Management	<b>Audit Sponsor</b> Senior Management Team		Q4	
	<b>Origin</b> Horizon Scanning			
	<b>Proposed Scope</b> To provide assurance over the arrangements in place to support corporate change, including methodology used, governance framework to oversee change and communication throughout the change process.			15

Audit	Proposed Scope, Audit Sponsor and Origin	Proposed Quarter	Proposed Days
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## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20

OPERATIONAL AUDITS	Trade Waste	<b>Audit Sponsor</b>	Service Director (Place)	Q4	15
		<b>Origin</b>	Corporate Risk (CR63)		
		<b>Proposed Scope</b>	To provide assurance over the arrangements for trade waste as part of the Joint Waste Contract. Coverage may include potential business case, viability assessments and risk management.		
	Temporary Accommodation	<b>Audit Sponsor</b>	Service Director (Regulatory Services)	Q2	12
		<b>Origin</b>	Corporate Risk (CR60)		
		<b>Proposed Scope</b>	To provide assurance that sufficient arrangements are in place to monitor use and costs, contractual arrangements with providers and partnership arrangements linked to SARDA (Stevenage Against Domestic Abuse).		
	Time Recording System	<b>Audit Sponsor</b>	Service Director (Legal and Communities)	Q1	12
		<b>Origin</b>	Service Director Request		
		<b>Proposed Scope</b>	To provide assurance that suitable policies are in place to support the use of the time recording system, use of the system across the Council, exception reporting exists and is used and the audit trails available from the system.		
	Members Expenses Benchmarking	<b>Audit Sponsor</b>	Service Director (Legal and Communities)	Q2	8
<b>Origin</b>		Service Director Request			
<b>Proposed Scope</b>		To conduct a benchmarking exercise with similar authorities with respect to the Chairman's allowance and Member's expenses.			
Parking Strategy and Enforcement	<b>Audit Sponsor</b>	Service Director (Regulatory Services)	Q4	15	
	<b>Origin</b>	Service Plan			
	<b>Proposed Scope</b>	To provide assurance that the new parking strategy has been implemented (or is being implemented), operational guidance and action plans exist. In addition, to provide assurance that enforcement activity is taking place as per Council policy, to include use of software, appeals and income.			
Openness Regulations	<b>Audit Sponsor</b>	Service Directors (Resources and Legal and Community)	Q1	12	
	<b>Origin</b>	Reserve List 2018/19			
	<b>Proposed Scope</b>	To provide assurance that the Council is compliant with the Openness Regulations. In addition, to conduct a benchmarking exercise against other similar authorities to highlight best practice.			
Equality and Diversity	<b>Audit Sponsor</b>	Service Director (Legal and Community)	Q2	10	
	<b>Origin</b>	Horizon Scanning			

## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20

Page 31		<b>Proposed Scope</b>	To provide assurance that the Council is compliant with equality and diversity guideline, including completion of equality impact assessments. In addition, to assess the training provided to officers and Members.			
	Herts Home Improvement Agency	<b>Audit Sponsor</b>	Service Director (Regulatory Services)	Q3	2	
		<b>Origin</b>	Follow Up			
		<b>Proposed Scope</b>	To provide assurance that the sufficient action has been taken to address the issues identified in the 2018/19 joint review of the Herts Home Improvement Agency.			
	Review of FAR	<b>Audit Sponsor</b>	Service Director (Legal and Communities)	Q1	3	
		<b>Origin</b>	Annual Audit – CIPFA Best Practice			
		<b>Proposed Scope</b>	To confirm that NHDC complies with the requirement in the CIPFA Audit Committee 'Practical Guidance for Local Authorities and Police' that an audit committee reviews its own remit and effectiveness.			
	King George V Playing Fields	<b>Audit Sponsor</b>	Service Director (Resources)	Q4	1	
		<b>Origin</b>	Charities Commission Requirement			
		<b>Proposed Scope</b>	To produce the Independent Examiner's Report for the trust.			
		<b>Audit</b>	<b>Proposed Scope, Audit Sponsor and Origin</b>		<b>Proposed Quarter</b>	<b>Proposed Days</b>
	CONTRACT AUDITS	Financial Resilience of Suppliers	<b>Audit Sponsor</b>	Senior Management Team	Q4	15
<b>Origin</b>			Horizon Scanning – emerging area of risk			
<b>Proposed Scope</b>			To provide assurance that effective controls are in place with respect to supplier management, sufficient scenario planning has taken place, business continuity models are in place and tested, effective risk management and that robust due diligence is completed at the contract award.			

## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20

		<b>Audit</b>	<b>Proposed Scope, Audit Sponsor and Origin</b>	<b>Proposed Quarter</b>	<b>Proposed Days</b>	
Page 32	IT AUDITS	General Data Protection Regulations (GDPR)	<b>Audit Sponsor</b>	Service Director (Customers)	Q2	10
			<b>Origin</b>	Corporate Risk (CR62)		
			<b>Proposed Scope</b>	To provide assurance that arrangements are in place to allow all service areas to comply with GDPR, that these are applied in practice and that sufficient training has been completed by all officers.		
	Cyber Risks	<b>Audit Sponsor</b>	Service Director (Customers)	Q1	15	
		<b>Origin</b>	Corporate Risk (CR62)			
		<b>Proposed Scope</b>	To provide assurance that effective controls are in place to mitigate against cyber risks. This may include management of cyber security (risk assessments, policies and procedures), awareness (training, roles and responsibilities, communication and escalation arrangements), network security (patch management, anti-virus, anti-malware, firewall configuration and review of arrangements) and privileged accounts (elevated access rights and removal of rights).			
	Systems Access	<b>Audit Sponsor</b>	Service Director (Customers)	Q3	12	
		<b>Origin</b>	Reserve List 2018/19			
		<b>Proposed Scope</b>	To provide assurance that adequate controls exist to allow appropriate access to Council systems, including the reasonableness of password expectations for Council systems.			

		<b>Audit</b>	<b>Proposed Scope, Audit Sponsor and Origin</b>	<b>Proposed Quarter</b>	<b>Proposed Days</b>
JOINT REVIEWS	SAFS Review	<b>Audit Sponsor</b>	SAFS Board	Q2	2
		<b>Origin</b>	Management request		
		<b>Proposed Scope</b>	To be confirmed.		
	Joint Reviews	Joint review topics to be agreed by the SIAS Board.		TBC	2
Shared Learning	Production of SIAS Quarterly Shared Learning papers.		Through Year	3	

<b>Audit</b>	<b>Proposed Scope, Audit Sponsor and Origin</b>	<b>Proposed</b>	<b>Proposed</b>
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## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20

			Quarter	Days
STRATEGIC SUPPORT AND CONTINGENCY	Head of Internal Audit Opinion 2018/19	To prepare and agree the Head of Internal Audit Opinion 2018/19.	Q1	3
	Audit Committee	To provide service linked with the preparation, agreement and presentation of Audit Committee reports.	Through Year	8
	Client Meetings	Meetings with the Council's Audit Champion, S151 Officer and other key officers and attendance at corporate groups.	Through Year	8
	External Audit Liaison	Meetings with the Council's External Auditor, as required.	N/a	1
	Progress Monitoring	Audit Plan monitoring and reporting.	Through Year	10
	SIAS Development	Included to reflect the Council's contribution to developing the partnership.	Through Year	5
	2020/21 Audit Planning	Provision of services to prepare, agree and report the 2020/21 Annual Audit Plan.	Q3 / 4	6
	Contingency	To provide for adequate response to risks or issues emerging in 2019/20	N/a	3
	2018/19 Projects Requiring Completion	Completion of outstanding work from 2018/19.	Q1	15

## APPENDIX B – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2019/20 – RESERVE LIST

Audit	Proposed Scope, Audit Sponsor and Origin		
RESERVE LIST	Insurance	<b>Audit Sponsor</b>	Service Director (Resources)
		<b>Proposed Scope</b>	To provide assurance over the insurance arrangements, including cover, premiums and claim handling.
Payroll Arrangements	<b>Audit Sponsor</b>	Service Director (Resources) and Service Director (Legal and Community)	
	<b>Proposed Scope</b>	To provide assurance that the Council decision regarding its payroll provision is sound and evidence exists to support the decision. In addition, to establish that sufficient plans exists to ensure continuity of service in the event of a change of provider.	
IT Asset Management	<b>Audit Sponsor</b>	Service Director (Customers)	
	<b>Proposed Scope</b>	To provide assurance that robust inventory records are stored and updated, management provide oversight of inventory, all unused inventory is stored safely and securely and that disposals are in line with corporate policy.	
Development Management	<b>Audit Sponsor</b>	Service Director (Regulatory Services)	
	<b>Proposed Scope</b>	To provide assurance over the enforcement arrangements in place.	
Commercial Estates Asset Management	<b>Audit Sponsor</b>	Service Director (Resources)	
	<b>Proposed Scope</b>	To provide assurance that the Council is maximising the use of its buildings and that they are being used effectively. In addition, the review will seek to provide assurance over the income collection arrangements and record keeping.	

## APPENDIX C – AUDIT START DATES AGREED WITH MANAGEMENT

April	May	June	July	August	September
Time Recording System	Workforce Planning and Development	Openness Regulations	Corporate Resilience	General Data Protection Regulations	Temporary Accommodation
Review of FAR	Cyber Risks		Equality and Diversity	Data Quality of Performance Information	SAFS Review
2018/19 Carry Forward Projects					Members Expenses Benchmarking
October	November	December	January	February	March
Integra 2	Budgetary Control		Corporate Change Management	Parking Strategy and Enforcement	
Treasury Management	Revenues		Trade Waste		
Expenses	Benefits		Financial Resilience of Suppliers		
	Systems Access (Passwords)		King George V Playing Fields		

**SAFS Review** – this has been provisionally planned for quarter 3, with a start month yet to be confirmed.

**Herts Home Improvement Agency** – this is a joint review with the other partner authorities and a start month has not yet been agreed.

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## North Hertfordshire District Council Anti-Fraud Plan 2019/2020

### Recommendation

Members are recommended to:

1. Review and approve the SAFS/NHDC Anti-Fraud Plan 2019/2020.
2. Read and review the LGA Councillors Workbook on Fraud and Bribery Prevention 2017

## **Contents**

### **1 Introduction and Background**

1.1 Purpose

1.2 Background

### **2 Plans & Reports 2018/19 & 2019/2020**

2.1 Anti-Fraud and Corruption Strategy

2.2 Reporting in 2018/2019 Anti-Fraud Action Plan

2.4 Proposed 2019/2020 Anti-Fraud Plan

2.6 Transparency Code Data 2018/2019

### **Appendix.**

A. LGA Councillors Workbook- Fraud and Bribery Prevention

B. NHDC Anti-Fraud Action Plan 2019/2020

## 1 Introduction and Background

### ***Purpose of Report***

1.1 To provide Members with information on:

- Progress on the SAFS/NHDC Anti-Fraud Action Plan for 2018/2019
- The SAFS/NHDC Anti-Fraud Plan 2019/2020
- Transparency Code Data

### ***Background***

1.2 Reports published by Government and private/public sector organisations highlight fraud as a significant risk for local government. These reports are used to ensure that the Council is aware of its own fraud risks and finds ways to mitigate or manage these effectively wherever possible.

These reports include:

- *Fighting Fraud and Corruption Locally 2016–2019 Strategy* produced by CIPFA in March 2016 and supported by CLG. The new strategy estimates annual fraud losses in local government at around £2.1bn (this report is based on 2013 data).
- *UK Annual Fraud Indicator 2017* published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian which estimates the risk of fraud losses for local government in excess of £8bn per annum.
- The CIPFA *Fraud and Corruption Tracker 2018* indicates that identified fraud had increased since 2016 but that the capacity within the sectors counter fraud capacity had reduced, and would continue to do so, placing local government at even greater risk of fraud.

1.3 The Cabinet Office, Ministry for Housing Communities and Local Government (MHCLG), National Audit Office (NAO), and the Chartered Institute for Public Finance and Accountancy (CIPFA) have issued guidance, advice, and best practice directives to support local councils in the fight to reduce the risk of fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and to invest resources in counter fraud activities that deliver savings.

- 1.4 North Hertfordshire District Council is a founding member of the Hertfordshire Shared Anti-Fraud Service (SAFS). This Committee has previously received detailed reports about the creation of SAFS and how this service works closely with the Shared Internal Audit Service (SIAS). SAFS works across the whole Council dealing with many aspects of fraud from deterrence & prevention to investigation & prosecution.
- 1.5 It is essential that to support this work the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, and plans to deal with the investigation and prosecution of fraud.
- 1.6 In 2017 the Local Government Association published its *Councillors Workbook on Bribery and Fraud Prevention*. A copy of the Workbook can be found at **Appendix A** and Members are invited to read and review this document.

## **2. Plans and Reports 2019/2020**

### ***Anti-Fraud and Corruption Policy***

- 2.1 The Council has in place an Anti-Fraud and Corruption Policy. This document lays out the Council's position and includes advice to Members, senior officers, and staff about how to deal with identified fraud and corruption. The policy is under review at present but still meets CIPFA best practice requirements.

### ***Anti-Fraud Action Plan 2018/2019***

- 2.2 The Council's Anti-Fraud Action Plan for 2018/2019, reviewed by Members in March 2018, covered all areas recommended by CIPFA to ensure that the Council acknowledges the risk of fraud, its responsibility to combat these risks, and takes appropriate action to prevent/deter/pursue fraud.
- 2.3 Progress with delivery of this plan was provided to Members in December 2018 and a final 2018/19 Annual Report will be provided to this Committee in early summer of 2019.

### ***Anti-Fraud Plan 2019/2020***

- 2.4 The plan for 2019/2020 follows a similar format to that used in previous years taking into account changes in guidance from CIPFA and/or changes in fraud risks for the Council. See **Appendix B** for a copy of the plan.



- 2.5 Adherence to the proposed plan for 2019/2020 will ensure compliance with the Council's own Strategy, and the best practice guidance issued by the MHCLG, NAO, LGA, and CIPFA.

***Transparency Code Data 2018/2019***

- 2.6 SAFS will also provide data to meet the requirements of Transparency Code for publication by the Council in May 2019 on counter fraud activity at the Council during 2018/2019.

**Appendices**

- A.** LGA Councillors Workbook.



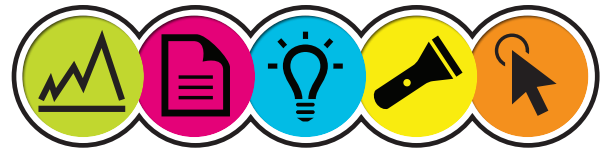
LGA Workbook on  
Fraud and Bribery Pre

- B.** SAFS/NHDC Anti-Fraud Plan 2019/2020-

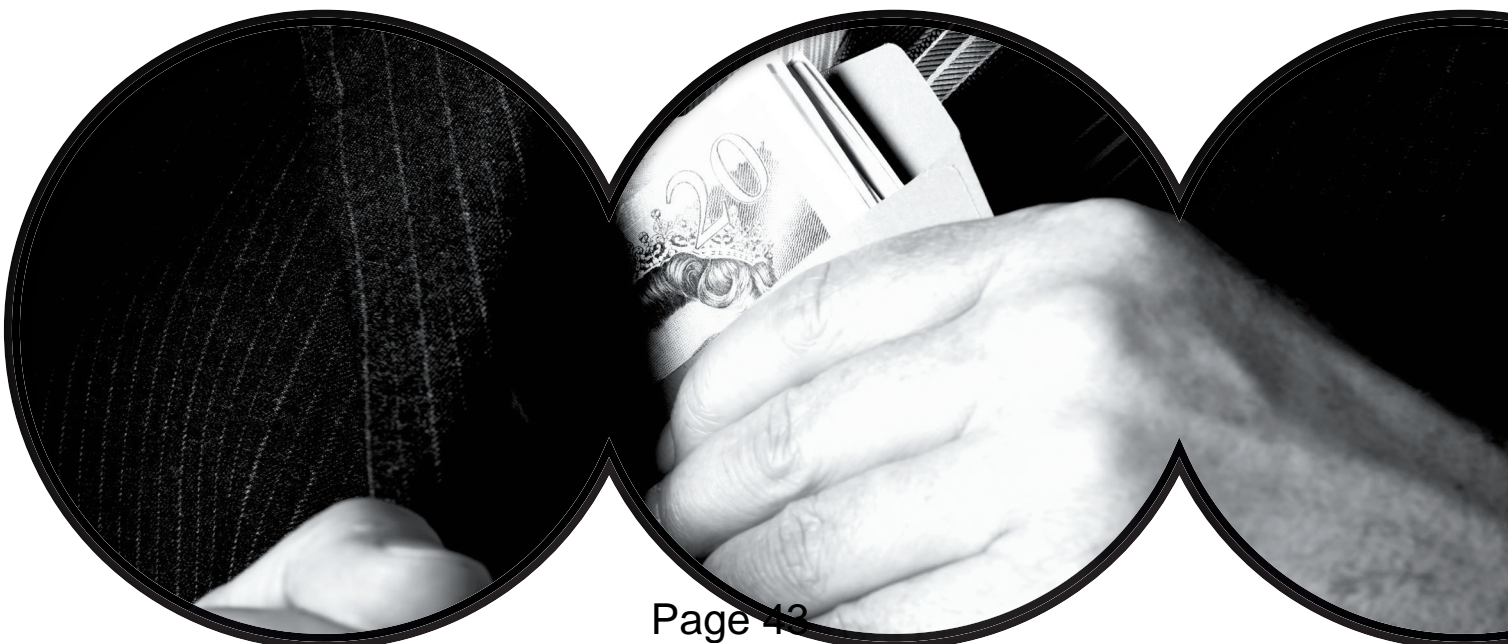


NHDC Anti-Fraud  
Plan 2019/2020

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# A councillor's workbook on bribery and fraud prevention



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# Foreword

This workbook has been designed as a learning aid for elected members. It makes no judgement about whether you have been a member for some time, or whether you have been elected more recently. If you fall into the former category the workbook should serve as a useful reminder of some of the key skills, approaches and tactics involved in neighbourhood and community engagement – it may even challenge you to reconsider how you have approached aspects of the role to date.

Those members who are new to local government will recognise that they have much to learn. The workbook will help you to get up to speed on the main areas of the neighbourhood and community engagement role that require focus and attention. In effect, it should provide you with some pointers on how to develop a style and approach that you are comfortable with, and that enables you to be most effective in your day to day duties.

The workbook offers few firm rules for ward members as it is recognised that each individual must decide how best to approach the role. This will be influenced by the other commitments in your life, the type of ward you represent and the methods and approaches that suit you best. There is no presumption about 'typical wards' or 'typical members' and the workbook should serve more as a direction marker rather than a road map.

In practical terms, the document will take between two to three hours to work through. You do not need to complete it all in one session and may prefer to work through the material at your own pace. The key requirement is to think about your own approach to neighbourhood and community engagement – how the material relates to your local situation, the people you serve and the council you represent.

In working through the material contained in this workbook you will encounter a number of features designed to help you think about the issues surrounding the development of neighbourhood and community engagement. These features are represented by the symbols shown below:



**Guidance** – this is used to indicate guidance, research, quotations, explanations and definitions that you may find helpful.



**Challenges** – these are questions or queries raised in the text which ask you to reflect on your role or approach – in essence, they are designed to be thought-provokers.



**Case studies** – these are 'pen pictures' of approaches used by councils elsewhere.



**Hints and tips** – a selection of good practices that you may find useful.



**Useful links** – these are signposts to sources of further information that may help with principles, processes, methods and approaches.

# Bribery and fraud prevention

Every organisation whether large or small is at risk from fraud and councils are no exception to this.

All councils have a duty to protect the public purse and a major part of this is by limiting exposure to fraud and corruption and reducing risk through effective prevention and detection. Authorities, even the smallest, are constantly under threat from fraudsters whether that be single person discount fraud, reducing council revenue or a cyber-attack causing a major data loss, reputational damage and fines from the information commissioner.

Fraud is estimated to cost UK councils around £2.1 billion per year which is money that cannot be used to support local communities.

As an elected member you have a range of statutory and moral obligations to protect the assets of your authority and you also need to equip yourself with the knowledge to deal with enquiries and questions from residents.

# Section 1 Fraud from a local authority perspective

## The scale of fraud

The challenge presented by fraud to councils is significant. As stated in 'The Local Government Counter Fraud and Corruption Strategy 2016-2019' (usually known as Fighting Fraud and Corruption Locally), it is estimated that fraud costs councils around £2.1 billion each year and some reports produced by other organisations suggest that this figure could actually be higher.

The CIPFA (Chartered Institute of Public Finance and Accountancy) counter fraud and corruption tracker, known as CFaCT is an annual survey of fraud activity in councils (and some other public bodies) and measures detection rates across local government and across different types of fraud. Based on returns in 2016 CIPFA estimates that over £325 million worth of fraud was detected in the UK public sector in 2015/16, with the biggest fraud areas being council tax and housing tenancy fraud. In previous years housing benefit fraud will have figured highly on this list.

Whatever the stats and reports say, is clear is that every pound lost by councils to fraud is a pound that cannot be spent on supporting the community.



### Useful links

The full CFaCT report for the UK can be found here:

[www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker](http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker)

If your authority took part in the survey they will have received a free comparison report showing their counter fraud activity compared to other authorities in the same tier. See if you can obtain a copy from your fraud manager or head of internal audit.

If your council didn't take part in the survey perhaps you can encourage them to do so next year?

The Fighting Fraud and Corruption Locally strategy and companion documents can be found at:

[www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally](http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally)

## The impact of fraud

The impact of fraud should never be underestimated. Fraud leaves the council with less to spend on services for residents and costs taxpayer's money. Fraud against a local council is not a victimless crime.

There's not only the lost/stolen money to consider but also the:

- loss of working time, with officers putting things right and liaising with police and lawyers
- cost of the investigation and any subsequent court costs
- increased insurance premiums.

There are also non-financial implications that are often forgotten. These will also, indirectly, have a financial impact, which is often difficult to qualify, such as:

- reduced or poor service for residents
- political impacts, eg government interventions, by-elections
- reputational damage for individuals or the council as a whole
- poor staff morale leading to poor performance and/or more fraud.

## What is fraud?

‘Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.’

### ‘Managing the business risk of fraud’

published by the Institute of Internal Auditors, et al

There are a number of definitions of fraud that are commonly used, however the majority of crimes committed that are considered to be fraud will be prosecuted under the Fraud Act 2006. Many activities that are carried out by councils are covered by specific legislation, for example, offences such as making false statements in order to obtain a council house or unlawful sub-letting of a council tenancy.

### Fraud Act 2006

This legislation was introduced to make the law of fraud simpler and more readily understandable providing a clear understanding of the ways in which fraud can be committed. The Act gives us the provision for the general offence of fraud which is made up of three key sections:

- S2. Fraud by false representation
- S3. Fraud by failing to disclose information
- S4. Fraud by abuse of position.



### Challenges

Think about the services that your council provides and identify some fraudulent activity that might occur within each of the categories.

Answers:

S2. Fraud by false representation

S3. Fraud by failing to disclose information

S4. Fraud by abuse of position

If you would like to know more about the Fraud Act 2006 the key provisions of the Act can be found here [www.legislation.gov.uk/ukpga/2006/35/contents](http://www.legislation.gov.uk/ukpga/2006/35/contents)



There are many other 'activities' that may fall under the overarching definition of fraud and are indeed types of fraud, the most common of these include:

- corruption
- bribery
- theft
- money laundering.

To give a clearer understanding of these terms, they can be defined as:

- **Corruption:** The misuse of a person's position to commit offences, which can include theft, extortion and a number of other crimes, including the soliciting of bribes. The defining characteristic of corruption is that it involves collusion between two or more individuals and is often associated with those holding public office.
- **Bribery:** The offering, giving, receiving, or soliciting of any item of value, or an advantage to another person, to induce that person to improperly perform a relevant function or activity, or to reward them for improper performance.
- **Theft:** Dishonestly appropriating property belonging to another with the intention of permanently depriving that person of it.
- **Money laundering:** The process by which criminals attempt to disguise the original ownership and control of the proceeds of criminal activity by making such proceeds appear to have derived from a legitimate source.



#### Useful links

You can find out more about bribery and corruption by completing the CIPFA's Bribery and Corruption e-learning module, in partnership with the LGA. To access the site for the first time, please email: [elearning@local.gov.uk](mailto:elearning@local.gov.uk)  
<http://lms.learningnexus.co.uk/LGA>

## Areas of fraud risk for councils

The estimated annual loss to fraud in councils is £2.1 billion. According to the CIPFA Fraud and Corruption Tracker 2016, the areas posing the highest fraud risk were:

1. **Council tax fraud**  
Fraud can occur when an individual intentionally gives incorrect or misleading information in order to pay less or no council tax. Examples include someone stating that they live alone when another adult also lives there or someone claiming to be a student when they aren't.
2. **Social housing/tenancy fraud**  
The unlawful misuse of social housing. This can be broken down into two main areas; social housing fraud and Right to Buy fraud. The former includes offences such as unlawful subletting, false applications, non-residency and unauthorised tenancy succession and the latter includes fraudulent applications under the right to buy/acquire schemes.
3. **Procurement fraud**  
This occurs in connection within the local authority supply chain. It can happen at any point throughout the procurement cycle but is particularly prevalent in the contract letting phase. It can also include tendering issues, split contracts and double invoicing.
4. **Adult social care and direct payments**  
Includes overstatement of needs through false declarations, multiple claims across authorities, collusion with care agencies and posthumous continuation of claims.

## Other high risk fraud areas for councils

### Housing benefit fraud

Councils are no longer responsible for the investigation of this fraud but as administrators of this benefit there is a responsibility to actively prevent attempts of fraud and to notify the Department of Work and Pensions (DWP) of any suspected fraudulent activity including false applications and failing to declare changes in circumstances.

### Business rates (NNDR) fraud

Offences include providing false details to obtain exemptions and reliefs and unlisted properties.

### Blue Badge misuse

There are 2.39 million Blue Badges in issue in the UK and it is estimated that 20 per cent of these are subject to fraudulent misuse such as use of the badge when the holder is not present and the alteration of a badge.

### Recruitment fraud

Includes false CVs, job histories, qualifications, references or referees.

### Insurance fraud

False claims made against a council or their insurers such as 'trips and slips'.

### Grant fraud

There are many different types of local authority grants paid out to individuals, businesses and charities. Fraud types include work not carried out, funds diverted, ineligibility not declared.

### Cyber fraud

Such as phishing, allows a range of fraud types resulting in diversion of funds and the creation of false applications for services and payments.

### Pension fraud

Occurs when the pension provider is not notified of changes in circumstances and payments continue to be cashed fraudulently. Examples include failure to notify the pension provider about the death of the recipient and failure to declare returning to work after retirement.

### No recourse to public funds

Fraudulent claim of eligibility, usually by the provision of false papers or by overstaying.



### Case study Dudley Metropolitan Borough Council's Code of Practice

Dudley Metropolitan Borough Council has codes of conduct for employees and councillors which set out the high standards expected of them. These are also intended to relay certain messages to all suppliers as there is a growing expectation that all service providers in local government should adhere to the same principles of being open and transparent when dealing with colleagues, residents and partners.

In developing its 'Suppliers' Code of Practice' Dudley aimed to reinforce good working practices and to stamp out fraud, bribery, corruption and unacceptable business practices.

Staff who buy in goods and services on behalf of the authority and all suppliers are required to work to the guidelines in this code of practice.

All active suppliers have received an email announcing the launch of the code and shown where the code is available on the council's website. The code includes useful contacts if people want to report problems to the council and reinforces the availability of a fraud hotline operated by Audit Services.

Audit Services also intends to approach key suppliers to obtain feedback and ask for written assurance that they comply with the code.

Dudley's leaflet 'Beating fraud is everyone's business', which sets out guidelines for employees, managers and councillors, is available on the CIPFA website.

[www.cipfa.org/services/counter-fraud-centre](http://www.cipfa.org/services/counter-fraud-centre)

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# Section 2 Council and councillor responsibilities in relation to fraud prevention and detection

Well governed organisations have a range of policies, procedures and frameworks to support effective risk management, transparency, accountability, financial control and effective decision making, many of which relate directly or indirectly to fraud prevention. Applying these is not only the responsibility of the audit committee or cabinet.

As an elected member, you have an essential role to play in protecting the public purse, in particular within your council. You are responsible for ensuring that your authority adequately manages its risks and that local residents receive value for money. -You have a duty of trust to residents called the 'fiduciary duty' and a major part of this is ensuring that your council adequately controls its finances to reduce losses to fraud and corruption.

In addition to your fiduciary duty, as a councillor you are a public servant and are expected to uphold certain standards of conduct and behaviour in your public life. The Committee on Standards in Public Life calls these standards the 'Seven Principles of Public Life' (also known as the Nolan Principles).



## Useful links

If you would like to read more the full report on the Seven Principles of Public Life can be found here:

[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/543819/CSPL\\_Annual\\_Report\\_2015-2015.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/543819/CSPL_Annual_Report_2015-2015.pdf)

## The seven principles of public life

The Seven Principles of Public Life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

### 1. Selflessness

Holders of public office should act solely in terms of the public interest.

### 2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

### 3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

### 4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

### 5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

## 6. Honesty

Holders of public office should be truthful.

## 7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

As a councillor you are expected to adhere to a code of conduct. A similar code of conduct will also apply to officers of your council. However, the biggest threat is from external sources, whether that is residents who may lie or exaggerate their circumstances to defraud or steal from the council or large scale, organised fraudsters, attacking public sector organisations as they perceive them to be a 'soft target'.

As a councillor your role in protecting the public purse may take a number of guises depending on your role and the responsibilities of your council but they may include:

1. reporting suspicious activity in your locality to your audit or fraud team eg subletting or council tax evasion
2. scrutinising risk registers and challenging if the fraud risks appear to not be well managed
3. oversight and scrutiny of budgets, especially in high risk areas
4. ensuring you declare any interests if you sit on committees such as planning
5. monitoring performance of your audit or fraud team with regard to detection and prevention of fraud
6. supporting the principles of good governance, and supporting an anti-fraud culture across the council, including whistleblowing
7. supporting the publicising of successful prosecutions by your council to act as a deterrent and perhaps providing quotes to the press if appropriate.

## Something to think about...

'Most public officials have probably never been offered a bribe and would feel pretty confident that they could spot the offer. If they don't necessarily think of themselves as totally incorruptible, they often think they can avoid getting entangled in situations where their conduct may be called into question. However, thinking you don't need help or guidance in knowing what is legal or illegal, or even what is right or wrong, in every circumstance is a risk – a risk that could and should be avoided by getting the most of what help and guidance is available.'

### **Prof Alan Doig**

Visiting Professor, Newcastle Business School,  
Northumbria University



# Section 3 The fraud response

Councillors are not responsible for investigating fraud. If you become aware of fraud, or suspect it, you should immediately report it to the responsible officer in accordance with your authority's local procedures and policies. Do not be tempted to begin an investigation yourself, even if this appears to be helpful.

However, you should be aware of the arrangements your council has in place for responding to fraud and this is particularly important if you are given special responsibilities in this area, such as being a member of the audit and/or governance committee.



### Activity

What are your council's procedures for councillors to report fraud or suspicions of fraud? If you do not know, check with your member support officer or your authority's monitoring officer.

A robust and strategic approach is required to effectively tackle fraud perpetrated against local government organisations.

In order to tackle fraud risk, councils should have in place a strategic response based upon three basic principles as detailed below:

Acknowledge	Prevent and Detect	Pursue
Acknowledging and understanding fraud risks	Preventing and detecting more fraud	Being stronger in punishing fraud/ recovering losses
↓	↓	↓
<ul style="list-style-type: none"> <li>Assessing and understanding fraud risks</li> <li>Committing support and resource to tackling fraud</li> <li>Maintaining a robust anti-fraud response</li> </ul>	<ul style="list-style-type: none"> <li>Making better use of information and technology</li> <li>Enhancing fraud controls and processes</li> <li>Developing a more effective anti-fraud culture</li> </ul>	<ul style="list-style-type: none"> <li>Prioritising fraud recovery and the use of civil sanctions</li> <li>Developing capability and capacity to punish fraudsters</li> <li>Collaborating with law enforcement</li> </ul>

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## Acknowledge

This is key and will underpin any anti-fraud strategy. If an organisation does not accept that they are at risk from fraud, then they will never be able to develop an effective anti-fraud response and ironically will leave themselves open to a higher likelihood of attack from fraudsters.

As a starting point a council should:

- make a proper and thorough assessment of its fraud and corruption risks that are specifically considered as part of the overall risk management process
- develop and implement an action plan in place to deal with the identified risks
- report regularly to its senior board eg audit committee, and its members

## Prevent and detect

The old adage that 'prevention is better than cure' is never more appropriate than in dealing with fraud. The reason for many processes that appear annoying and bureaucratic is to introduce steps that make it harder for people to carry out fraud.

Active prevention and fraud risk management is the most cost-effective way to fight fraud, make savings and reduce risk.

Effective prevention should include:

- A robust programme of anti-fraud and corruption awareness training for councillors, senior managers and all staff.
- Standards of conduct and policies, that are well communicated, including:
  - officer and councillor codes of conduct
  - risk management policy
  - financial regulations and procurement policy
  - anti-fraud, corruption, money laundering and bribery policies
  - whistleblowing policy
  - register of interests
  - gifts and hospitality policy.

Use of technology and data sharing to enable thorough due diligence with regards to recruitment, applications for services, the Right to Buy scheme and procurement processes.

A well-publicised anti-fraud and corruption strategy and policy, and the publicising of successful investigations into cases of fraud and corruption, to build and develop a strong anti-fraud culture. Such a culture, when promoted from 'the top down', will encourage staff and service users to actively participate in fraud prevention through awareness and encouraging them to report any suspicions.

Effective and well operated controls within systems that are regularly audited to provide assurance that they are working.

Good networking by officers and sharing intelligence between authorities so that new types of fraud are picked up early.

Unfortunately, no matter how good prevention measures and controls are, there will still be occasions when your council suffers fraud losses. In these circumstances it is vital that there is the ability to call upon competent, professionally accredited counter fraud specialists trained to a professional standard to investigate the suspected fraud.

Councils need to ensure that evidence is lawfully gathered and professionally presented, irrespective of whether the anticipated outcome is a disciplinary hearing, civil action or criminal proceeding.

## Pursue

Successful investigations will result in the identification of the fraudster and usually a financial figure representing the loss to the council. The authority will then have a number of options open to them regarding any course of action they may wish to take. This is a crucial part of the enforcement response and is needed to punish the fraudsters and act as a deterrent to others. Options available to councils include prosecution, cautions, fines and disciplinary action.

The recovery of any financial loss is also one of the most effective ways to deter offenders. It demonstrates that if caught, they will have to repay their 'ill-gotten gains'. It is important, therefore that there is a culture of rigorous pursuit of losses and that this is publicised.

## Investigative approaches

Councils need to regularly review their approach to fraud investigation and adapt when necessary.

Some councils have dedicated corporate anti-fraud teams to deal with all types of fraud and corruption. Others rely on audit staff to conduct investigations and some bring in outside experts when the need arises. Some councils have merged their internal audit and fraud teams to reduce costs. None of these is necessarily better or worse; it depends upon the circumstances of the authority. However, fraud investigation is a specialist job so it is important that councils have access to such trained and experienced staff.



### Case study Recovery of fraud losses

A council employee was illegally paid to provide confidential contract information.

The employees' responsibilities included awarding council contracts for ICT equipment. The employee introduced two new suppliers to the tender list, subsequently advising them of tender submissions by competing companies.

This enabled the two companies concerned to underbid competitive rivals to secure the contracts.

The fraud was identified as a result of information from an anonymous informant.

The employee was dismissed and subsequently found guilty under the Fraud Act and sentenced to two years' imprisonment.

The council successfully obtained a confiscation order under the Proceeds of Crime Act for £75,000 which was the amount the employee had illegally been paid.

**Source: Audit Commission (2014)**



### Activity

What kind of anti-fraud and corruption approach does your council have? Ask your monitoring officer or head of audit/risk management. Do you think it is the right approach?

Irrespective of how any council decides to tackle its fraud and corruption risk, there are always two types of investigation that councils may be involved in; proactive and reactive.

## Proactive investigations

These are intelligence led, making use of information from profiling or data-matching exercises.

A common example of this type of investigation would be where the authority was looking to identify people defrauding the council tax single person discount (SPD) scheme.

A household with only one adult is entitled to a 25 per cent discount on their council tax. Checking council tax records against the electoral role can identify cases where a person claims to be living alone is actually living with another adult. This type of data matching is legal and very effective in finding errors or frauds.

## National Fraud Initiative (NFI)

The National Fraud Initiative (NFI), coordinated by the Cabinet Office matches electronic data within and between public and private sector bodies to help prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

Participation in the NFI is mandatory for councils who are required to submit data to the National Fraud Initiative on a regular basis.

### Reactive investigations

These involve the search for and the gathering of evidence following an allegation or fraud referral, or the discovery of a set of circumstances which amount to an offence. In these cases, the offence is usually already being committed.



An example would be where a member of the public contacts a council to inform them that one of their council tenants is unlawfully sub-letting their council property.



**Case study**  
**London Borough of Harrow and**  
**Luton Borough Council (NFI**  
**2012/13 exercise)**

A payroll-to-payroll match identified an employee who was working full-time in a middle management position, in addition to a part-time night care worker role dealing with vulnerable adults. During the investigation it was established that some weeks she worked in excess of 70 hours, potentially placing vulnerable adults at risk.

There was a suspicion that she had been able to work both shifts on a weekly basis by sleeping whilst at work and the information shared between councils showed that she regularly breached the Working Time Regulations.

After investigation, she was found guilty and dismissed for gross misconduct by one authority and subsequently disciplined by the other for breaching the Working Time Regulations, but later resigned from the role.

This case study comes from the official Cabinet Office NFI pages and is one of many cases studies to be found there. They make interesting reading. You may very well find one from your council there. Take a look.

[www.gov.uk/government/publications/national-fraud-initiative-case-studies/nfi-public-sector-case-studies](http://www.gov.uk/government/publications/national-fraud-initiative-case-studies/nfi-public-sector-case-studies)

In these cases a professionally qualified investigator, will carry out an investigation that could have some or all of the following components:

- evidence gathering
- interviewing witnesses and taking statements
- interviewing the alleged perpetrator
- preparing the case for court
- giving evidence at court.

## The challenges faced by councils in dealing with fraud and corruption

There are a number of challenges facing councils and their ability to effectively tackle fraud and corruption and to manage the risk it poses.

### Public sector budget reductions

The impact of budget reductions has a three-fold effect:

- less resources to maintain administrative procedures that prevent fraud
- potentially reduced resources for investigating fraud
- the risk of greater fraud activity by professional criminals or opportunists who identify local authorities as more vulnerable.

These challenges have led to innovative thinking on ways of approaching the fraud and corruption risks such as joint working with other authorities or other public bodies and data sharing (such as the London Counter Fraud Hub). The best and most forward thinking councils use budget constraints as the impetus to drive forward the robust recovery of losses and other criminal assets which can and do lead to significant financial rewards.

Some councils who employ successful financial investigators generate income by charging other organisations such as housing associations for investigative services.



**Case study**  
**Example of joint working**

The Metropolitan Police's Serious and Organised Crime Command has successfully collaborated with financial investigators from several London borough councils. There are currently nine Metropolitan Police Criminal Finance Teams set up as hubs – four in the north, four in the south and one central team – that are instrumental in training and mentoring several council investigators working together to tackle serious and organised acquisitive crime. The focus of this relationship is to recover assets and ensure that criminals do not benefit from criminal activities.

# How innovative has your council been?

## Is there scope for more?

### Maintaining an anti-fraud culture

Councils need to develop and embed a culture with clear values and standards in which beating fraud and corruption is part of the daily business. The 'tone from the top' is crucial in this respect and councilors and senior leaders should be seen to 'walk the walk' in terms of their ethics, values and behaviours. The CIPFA Counter Fraud Centre has developed its 'top 10 tips' (see activity below) to support organisations in developing and maintaining an effective anti-fraud culture.



#### Activity

Review the Top 10 Tips, on the following page, and consider (find out if you don't already know) how good or bad your council is at each of these. Give a score from 1 – 5.

#### 1. Set the tone at the top

Creating an anti-fraud culture is part of good governance and, led by a council's councillors and corporate directors, should start with a clear commitment to tackling fraud, corruption and other similarly delinquent behaviours. Ideally, zero tolerance to fraudsters (as opposed to fraud per se) should form the centre-piece of your organisation's anti-fraud strategy reinforcing expected standards in public service as set out in the 'Seven Nolan Principles of Public Life'. Having professionally qualified counter fraud staff in place can help to achieve this, as they have the credibility, standing and expertise to raise the profile of the anti-fraud agenda internally.

**Score: 1...2...3...4...5**

#### 2. Know and prioritise your fraud risks

Knowing what the fraud and corruption risks are in an authority determines the type of framework you need to put in place and how your staff work within it. For example, if your risks include procurement fraud, those responsible for procuring contracts and services need to recognise fraud, bribery and corruption indicators when they see them. Professionally qualified counter fraud staff can assist with this process as they can assess risk and train operational staff in appropriate action. **Score: 1...2...3...4...5**

#### 3. Scan the horizon

Fraud is constantly changing and fraudulent schemes often target frontline staff who are an organisation's first line of defence. What might seem a low fraud risk today might turn into a high one in the future. It is therefore vital that your organisation is up-to-date on the latest threats and risks and how to tackle them. Professionally qualified counter fraud staff can ensure that staff know who to come to if they suspect something amiss. As part of their continued professional development, counter fraud staff will also be 'plugged into' various anti-fraud networks which are vital sources of new information and threat alerts. **Score: 1...2...3...4...5**

#### 4. Build fraud awareness

Creating an anti-fraud culture and beating fraud should be everyone's business within a council, from the dedicated counter fraud specialists through to the procurement team, HR, facilities staff and beyond. A qualified counter fraud practitioner will be fully trained in how to help mobilise the entire organisation in the fight against fraud. Whether using e-learning, staff briefings, training, posters or internal alerts – or a combination of all these – they will be best placed to define and execute awareness programmes. **Score: 1...2...3...4...5**

## 5. Ensure policies and procedures are in order

Professionally qualified counter fraud staff should be adept at finding the fraud gaps in existing organisational policies and procedures and determining what is required to plug those gaps in a cost-effective manner. For example, a general anti-fraud policy should include: guidelines on what to do when suspicions of fraud arise; a fraud response plan; processes for creating and implementing gifts and hospitality registers, declarations of interest registers and so on. An accessible and well-articulated whistleblowing policy should also be part of any effective anti-fraud culture. **Score: 1...2...3...4...5**

## 6. Create a dedicated anti-fraud team

Build capacity by creating a counter fraud team comprising of professionally qualified who are operationally independent from other teams. This will ensure their objectivity and impartiality. The team should be provided with the necessary resources required for their function, which would include an element of contingency or 'flex' to cater for unforeseen surges in work, such as large and complex investigations. With the necessary safeguards in place, the team should also have access to the information, data systems and senior personnel they need to effectively perform its function. **Score: 1...2...3...4...5**

## 7. Take action

Recovering money lost to fraud so it can be spent on key services is obviously vital. Professionally qualified counter fraud staff will be fully trained in conducting effective investigations and pursuing cases through the legal system, including the preparation of cases for prosecution. They will have the ability to give evidence in a court of law and take steps to recover lost funds. **Score: 1...2...3...4...5**

## 8. Measure success

Today's counter fraud specialists not only understand how to detect, prevent and recover fraud losses; they are also trained to measure and report on the effectiveness of the preventive measures they put in place. This forms a key part of an organisation's anti-fraud culture as it highlights to senior management the successes of counter fraud work. **Score: 1...2...3...4...5**

## 9. Publicise your success

Sharing the outcome of a successful investigation or how an anti-fraud measure has worked is a positive way to advertise the message that fraud doesn't pay. Professionally qualified counter fraud practitioners understand this and will want to publicise their successes both internally and externally, which should be encouraged. As well as being a deterrent, this can also lead to an increase in fraud referrals which is a good indicator that your anti-fraud culture is working. **Score: 1...2...3...4...5**

## 10. Never take your eye off the ball

Fraud is an ever-evolving threat and as the risk doesn't stand still, nor should your organisation's strategy to combat it. Professionally qualified counter fraud staff are trained to implement and manage prevention programmes to monitor the measurement and control strategies in place and make any necessary adjustments. They will also be able to recognise new threats and risks and the need for refresher training whenever this may arise. **Score: 1...2...3...4...5**

**Total Score: ..... Do you think this is good enough?**

## Abiding by the rules

In dealing with fraud, councils need to abide by the rules in order to ensure that frauds they detect and investigate can be pursued to the most appropriate conclusion. The rules protect the rights of individuals to privacy and the right to a fair trial. Although there are frequent stories in the press about councils 'snooping' on people, the rules are in fact very strict.

For example:

### **Regulation of Investigatory Powers Act (RIPA) 2000**

This was brought in to regulate the powers of public bodies who carry out surveillance and investigation and also to cover the interception of communications. Councils have access to some of these powers for the purpose of prevention and detection of a crime.

### **Requesting information**

Council investigators have certain 'authorised officers' powers to request information about individuals. For any other investigations, they are restricted to powers under Section 29 (3) of the Data Protection Act (DPA) 1998 which allow organisations to give such information to council investigators, assuming it is for the prevention and/or detection of a crime, but it does not compel them to do so. Consequently, some organisations choose not to give the requested information to a council.

The data matching approach described earlier is also regulated under the Data Protection Act.

## More sophisticated frauds

The landscape of fraud and corruption is ever-changing, especially with the use of technology and the internet. Fraudsters never rest on their laurels and are always looking for new ways to defraud. This means council are constantly exposed to different threats and managing this risk can be extremely difficult so it's extremely important that the investigators keep abreast of emerging risks and trends and share this across the council, but in particular with key teams such as payments.

The advent of 'cyber crime', whether or not it involves fraud, is probably one of the biggest challenges facing public bodies today.

## Publicising success

While it may be embarrassing for any organisation, especially a local council, to admit that it has been the victim of fraud, experts would say that publicising successful investigations, where possible, is much the best policy. When a case ends up in court it will in any case become public. Proactive publicity shows residents and taxpayers that you are taking active steps to protect their interests and it may deter future fraudsters. Press and media teams can help to make sure the message is seen in a positive light.

# Section 4 Fraud risk management

**Note:** You should complete this section if you have special responsibility for audit, risk or governance. If not, you can move on to section 6.

Risk management is essential for good governance within any organisation and effective fraud risk management is a vital part of that.

If you have a special responsibility as a councillor for audit, risk or governance, you will need to ensure that your council has appropriate arrangements in place to manage the risk of fraud.

All councils have faced and are still dealing with increased pressure on their budgets meaning that the requirement to identify fraud and reduce risk is perhaps higher now than it's ever been.

The CIPFA code of practice on the management of fraud risk sets out the expected standard for public bodies in the management of fraud risk.

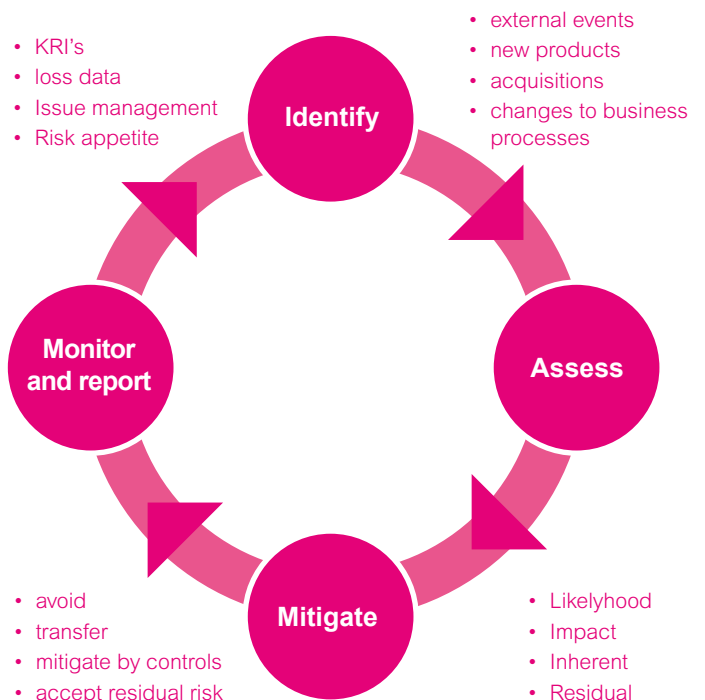
Implementing an effective fraud risk management framework, such as the CIPFA code of practice, will enable authorities to employ controls that help to prevent fraud from occurring in the first place, identify and detect fraud as soon as it occurs and enable a practical and efficient response to those fraud incidents. Fraud risks need to continually reviewed and managed, in the same way that other risks are managed within a council. The identification, assessment, mitigation and monitoring of risk (including fraud risks) is called the risk management lifecycle. The process works as such:



## Hints and tips Code of practice principles

Leaders of public services organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management. The five key principles of the code are to:

- acknowledge the responsibility of the governing body for countering fraud and corruption
- identify the fraud and corruption risks
- develop an appropriate counter fraud and corruption strategy
- provide resources to implement the strategy
- take action in response to fraud and corruption.



To help ensure that the fraud risk management is effective, it's important that the roles and responsibilities of all employees, members and those who act on behalf of the council are understood by all. The list below is not exhaustive but the main roles can be summarised as follows:

### **Councillors**

- ✓ Have and maintain an understanding of fraud risks
- ✓ Understand the key principles of risk management
- ✓ Consider fraud risk in relation to the decision making process

### **Directors**

- ✓ Support the council's fraud risk management strategy
- ✓ Set the appropriate tone with regards to the council's anti-fraud and corruption approach
- ✓ Ensure that there is a coordinated and consistent approach to the identification and management of fraud risk

### **Senior managers/service heads**

- Ensure that fraud risks are appropriately managed and implement effective review and monitoring arrangements
- Manage risk in their service areas in accordance with the fraud risk management strategy

### **Internal audit/corporate fraud team**

- ✓ Consider the council's fraud risk assessment when developing the annual audit plan
- ✓ Audit the internal fraud control processes across the authority
- ✓ Coordinate and/or conduct fraud and corruption investigations
- ✓ Assess the effectiveness of fraud prevention and detection processes
- ✓ Provide assurance to councillors and senior management of the effectiveness of fraud risk management and controls

### **All staff**

- ✓ Have a basic understanding of fraud risks and be aware of indicators
- ✓ Manage fraud risk in the course of their daily duties
- ✓ Read, understand and have access to fraud related policies and procedures
- ✓ Contribute towards the development of fraud control processes
- ✓ Report suspicions of fraud and corruption
- ✓ Cooperate with investigations

The development and implementation of a robust fraud risk management program will reduce the opportunities for fraudsters to exploit. This, coupled with encouraging employees to actively participate in the fight against fraud will contribute significantly to the creation of a strong anti-fraud culture; helping to change the attitude towards fraud so that it is not tolerated and therefore reducing the risk of fraud happening in the first place.

## **Fraud risk assessment**

The basis of an effective fraud risk management program begins with a Fraud Risk Assessment (FRA).

Councils are likely to face a wide variety of fraud and corruption risks and so a FRA will help the council to understand and identify the risks that are specific to the organisation as a whole as well as those that relate to individual service areas. It will also highlight gaps or weaknesses in fraud controls allowing the council to implement a plan to ensure the best use of resources in order to tackle those risks.

When conducting a FRA the questions that should be considered are:

- How could a fraudster exploit weaknesses in the current system controls?
- How might those controls be over-ridden or by-passed?
- How could the fraudster conceal their activities?

Bearing the above in mind, an effective FRA should generally consist of three main elements:

- **Identification of the fraud risk**

This will involve the gathering of information to highlight the fraud risks that could affect the council.

- **Assess the likelihood and impact of the fraud risk**

This assessment is based on historical information, and discussions/interviews with heads of services and other relevant staff.

- **Develop a response to those that present the highest risk**

Decide how best to respond to the fraud risks.

# Section 5 Assurance that fraud arrangements are effective

Note: You should complete this section if you have special responsibility for audit, risk or governance. If not, you can move on to section 6.

If you have special responsibility for audit, risk or governance you will wish to assure yourself that your council's fraud arrangements are effective.



## Assurance is:

'Data or information provided to management/boards/committees to give comfort that risks are being properly managed and controls are adequate and working effectively'

Institute of Internal Auditors

Best practice dictates that governance, risk management and strong financial controls (called the system of internal control) are part of the daily and regular business of an organisation. The system of internal control is a key component in the prevention and detection of fraud and corruption.

## What is internal control?

Any action taken by management, the board and other parties to manage risk. In other words, an action taken to ensure that risks do not materialise or get worse. Some examples might be:

- Expenses claims must be authorised by management before payment. This processes of checking the claim for accuracy prevents fraud or error and so controls the risk of overpayment.
- The housing department carry out regular tenancy audits of their properties. This process of checking acts a deterrent to subletting and a detection if it does happen and so controls the risk of subletting.

- The health and safety team carry out regular inspections of public buildings. These inspections highlight any existing problems for repair or any potential problems for signposting. In this way, the risk of slips, trips and other accidents are controlled.

Councils must have a means of obtaining independent assurance that the system of internal control is adequate and working effectively. In local authorities there is usually an audit committee (sometimes called audit and risk committee) to carry out this role.

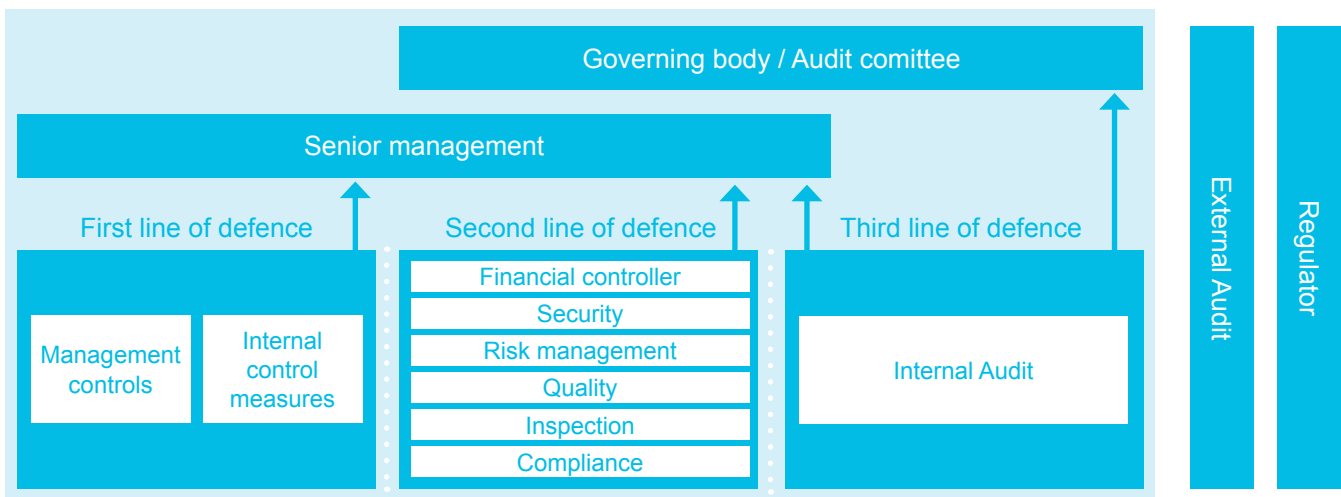
Usually there is also an overview and scrutiny committee to oversee the decision-making process, ensure that it is clear and that the people taking decisions are held accountable for those decisions.

The existence of an audit committee or scrutiny committee does not remove responsibility from individual members and senior managers, but provides the resource to focus on these issues. There is no 'one-size-fits-all' approach that must be applied to assurance and scrutiny in local government but council leaders and executives must ensure that the model they adopt is independent from the executive and other political influences.

Fraud prevention is heavily reliant on the system of internal control being adequate and working effectively.

Most councils rely on their internal and external auditors to provide these assurances but audit resources are limited and expensive and can never be relied upon to provide assurance across every activity that the local authority is responsible for.





Therefore all councillors and council officers have a role to play in seeking assurance that the controls are working. After the banking crisis a model was devised to try to capture and utilise the various levels of assurance that exist within organisations. This is called the three lines of defence

The majority of members will have little interaction with auditors other than when reading their report at the year-end but as the model shows, in reality the majority of assurance should come from within the organisation itself.

As a councillor you will receive and review a range of information and reports from within your authority or from external sources such as regulators or inspectors. These will often be related to your areas of expertise or committees that you sit on. It will be your responsibility to inspect and challenge the information you receive to assure yourself that it is accurate, credible and evidence based and that it tells you what you need to know.

When considering the fraud risks that your authority might be facing you need to consider whether the controls that you know exist are doing the job they are meant to be doing. If you have concerns that they are not then you need to raise that through the appropriate channels eg with the head of fraud, head of internal audit or through the chair of the audit committee.

## Role of audit committees in anti-fraud and corruption activity

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. If you sit on an audit committee you may wish to read more on the role of audit committees in relation to fraud prevention.



### Useful links

If you sit on an audit committee the following publication is recommended.

CIPFA audit committees: Practical guidance for local authorities and police  
[www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-2013-edition-book](http://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-2013-edition-book)

In relation to anti-fraud and corruption activities the audit committee will receive regular reports from officers and auditors on the following:

- fraud cases that have occurred within the authority and financial losses
- whistleblowing
- current and emerging fraud risks and how they are being managed
- KPIs relating to fraud prevention and detection performance
- sanctions (including prosecutions and disciplinaries) and recovery actions
- benchmarking data
- resources spent on these activities within the authority.



### Activity

Find and obtain the latest fraud update provided to your audit committee and consider the following?

1. Is the reported fraud in line with what you would have expected for your council?
2. Are there any areas where you would have expected fraud that have not been reported on? If so why do you think that might be?
3. In your view is the reporting adequate? If not why not?
4. Has whistleblowing been reported on? Do you have a clear understanding of the whistleblowing arrangements in your authority? If you are unclear you should obtain a copy of your council's policy.

## What good looks like – the Fighting Fraud and Corruption Locally Strategy



### Turning strategy into action

#### The themes – Six Cs

Councils should consider their performance against each of the six themes that emerged from the research conducted.

**Culture** – creating a culture in which beating fraud and corruption is part of daily business.

**Capability** – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks.

**Capacity** – deploying the right level of resources to deal with the level of fraud risk.

**Competence** – having the right skills and standards.

**Communication** – raising awareness, deterring fraudsters, sharing information, celebrating successes.

**Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

In addition to the above, the CIPFA code of practice on managing the risk of fraud (see section 4) is there to support organisations putting in place counter fraud arrangements for the first time but will also be of benefit to those seeking to assess whether existing arrangements are adequate. Councillors may wish to ascertain whether the arrangements in their own council compare favourably with the recommended best practice approach.



### Useful links

Managing the risk of fraud and corruption

[www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-managing-the-risk-of-fraud-and-corruption-guidance-notes-hard-copy](http://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-on-managing-the-risk-of-fraud-and-corruption-guidance-notes-hard-copy)

In addition to the Code of Practice the Fighting Fraud and Corruption section of the CIPFA website provides a range of free resources to support councils in their fight against fraud, such as leaflets and posters and a good practice bank:  
[www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally](http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally)

# Section 6 What you have learned and further reading

Now you have completed this workbook you have a good understanding of the fraud risks that affect councils and some of the methods that are used by authorities to prevent and detect fraud. You should now understand the scale of the problem and the impact that fraud can have on council finances. If you completed some of the activities, you will also have found out more about the arrangements that are in place in your own authority and assessed whether you think they are adequate.

If you completed sections 5 and 6 you will now hopefully feel better equipped to support your authority in the fight against fraud and also be clear on what assurances you should be receiving as committee members.

If you would like to explore this subject further there are a range of materials available for free to read on the CIPFA website:

[www.cipfa.org/services/counter-fraud-centre](http://www.cipfa.org/services/counter-fraud-centre)

Other websites that you may find interesting and useful:

[www.actionfraud.police.uk](http://www.actionfraud.police.uk) – a really useful site where fraud can be reported and also information on fraud scams found.

[www.met.police.uk/docs/little\\_book\\_scam.pdf](http://www.met.police.uk/docs/little_book_scam.pdf) – an excellent and really useful publication to help individuals from being scammed; helpful to keep in GP's surgeries.

[www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/Pages/default.aspx](http://www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/Pages/default.aspx) – the City of London Police Economic Crime Directorate is recognised as the national policing lead for fraud and is dedicated to preventing and investigating fraud at all levels.

## Suggested answers for page 14 activity

1. Make a detailed note of everything the resident can tell you about the situation, names, addresses, etc. Take the contact details for the resident and pass everything to the fraud manager (if you have one) or the head of audit if not.
2. You should escalate your question to the appropriate corporate director, noting your concerns with regards to the current risk levels.
3. You should notify the councils monitoring officer
4. You should agree a project plan with the fraud manager or head of audit, with yourself as a figure head or spokesperson. You may wish to include a publicity campaign including posters and leaflets. If so, talk to your council's communications team. As a councillor, you will be in a good position to conduct radio and TV interviews, newspaper quotes and articles. You may wish to concentrate on a particular area of fraud that is particularly prevalent in your area.





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For a copy in Braille, larger print or audio,  
please contact us on 020 7664 3000.  
We consider requests on an individual basis.

**North Hertfordshire District Council  
Anti-Fraud Plan 2019/2020**

**in partnership with**

**The Shared Anti-Fraud Service**



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## **Introduction**

This plan supports the Council's Anti-Fraud and Corruption Policy by ensuring that the Council, working in partnership with the Shared Anti-Fraud Service (SAFS), has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Council's Policy states:

The Council's Anti-Fraud and Corruption Policy is the overall framework for good ethical governance at North Hertfordshire District Council.

The Policy sets out the Council's commitment to the prevention and detection of fraud and corruption.

This Policy links closely to the Council's Priority of 'Living within our means' to deliver cost effective services. It summarises the responsibilities of Councillors, management and employees and outlines the procedures to be followed where suspicion of financial irregularity is raised.

This plan includes objectives and key performance indicators that support the Strategy and meet the best practice guidance/directives from central government department such as Ministry for Housing Communities and Local Government and other bodies such as National Audit Office and the Chartered Institute for Public Finance and Accountancy.



## National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government is large, but difficult to quantify with precision. Since 2013 a number of reports have been published by various organisations including CIPFA, NAO and MHCLG stating that the threat of fraud against local government is both real, causes substantial loss and that fraud should be prevented where possible and pursued where it occurs.

In its 2015 publication *Code of practice on managing the risk of fraud and corruption* CIPFA highlighted the five principles for public bodies to embed effective standards for countering fraud and corruption in their organisations. These principles support good governance and demonstrate effective financial stewardship and strong public financial management

The five key principles of the code are to:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption.

The CIPFA *Local Government Counter Fraud and Corruption Strategy (2016-2019)* included a summary of reported fraud losses across councils in England totalling £307m per annum but that hidden and unreported fraud risks could exceed £2bn each year. The strategic response for local government to respond to the threat of fraud threats provides three key principles '**Acknowledge/Prevent/Pursue**'. The strategy was supported by Department for Communities and Local Government, the Local Government Association and Fighting Fraud Locally Board.

In addition, local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes (6C's) identified in the CIPFA Strategy:

- Culture - creating a culture in which beating fraud and corruption is part of daily business,
- Capability - ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks,
- Capacity - deploying the right level of resources to deal with the level of fraud risk,
- Competence - having the right skills and standards,
- Communication - raising awareness, deterring fraudsters, sharing information, celebrating successes
- Collaboration - working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information

The Annual Fraud Indicator (AFI) 2017 (published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian) attempts to identify the cost of fraud to the UK economy. The AFI estimated fraud losses for local government as follows.

- Total loss across local government - £7.8bn
- Tenancy Fraud- £1.8bn
- Procurement Fraud - £4.4bn
- Payroll Fraud - £1bn
- Other - £.6bn

The AFI does not include housing benefit fraud or council tax fraud as a loss to local government but estimates the loss of these combined at around £1.1bn.

What is clear is that every pound lost to fraud from the public purse is a pound lost from essential front line services. The Councils Anti-Fraud Plan 2019/2020 is based on the principles of 'Acknowledge/ Prevent/ Pursue' and the 6 C's to ensure the Council is adequately protected from fraud risk or, where fraud does occur, that there are plans to manage, mitigate, recover any losses.

## **SAFS Resources 2019/2020**

### **Anti-Fraud Arrangements**

North Hertfordshire District Council is a founding Partner in the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015.

SAFS is a Partnership where each organisation pays an annual fee for Hertfordshire County Council to provide a contracted service across the whole Partnership. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has one seat on the Board. For North Hertfordshire District Council the Service Director- Resources is the Board representative.

Although SAFS provides much of the Councils proactive, reactive and operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

### **Budget**

In September 2018 the SAFS Board accepted a report from the SAFS Manager to increase the fees for all Partners. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years. There has been no previous increase in fees for District Council Partners since SAFS was established in 2015.

The Board agreed that the annual fee for all Partners would increase by 2% per annum to 2022 to be reviewed further at that time and that fees for District Councils, without housing stock, would be fixed to £81,600 +VAT.

Fees for North Hertfordshire District Council in 2019/2020 will increase from £80,000 + VAT to £81,600 + VAT.

### **Staffing**

The full complement of SAFS in 2019/20 will be 17.6 FTE's; 1 Manager, 2 Assistant Managers, 10 Investigators, 3 Intelligence Officers. The Team is also supported by 1 FTE Data-Analyst and .6 FTE Accredited Financial Investigator both posts funded from SAFS Budgets.

For staffing – North Hertfordshire District Council will have exclusive access to 1 FTE Investigator, access to intelligence functions of the service, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* hosted by the Cabinet Officer and can call on SAFS management for liaison meetings, management meetings and two Audit Committees reports per annum. SAFS also have access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third party providers and litigation services.

## **SAFS - Standards of Service.**

SAFS will provide the Council with the following fraud prevention and investigation services as part of the contracted anti-fraud function.

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design/review of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates which can be adopted by the Council.
6. SAFS will provide a proactive data-matching solution (NFI- Herts *FraudHub*) to assist in the early identification and prevention of fraud.
  - The FraudHub will be funded by the Council
  - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
  - Data will be collected and loaded in a secure manner.
  - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually. The protocol will clearly outline security provisions and include a Privacy Impact Assessment.
  - SAFS will work with nominated officers in the Council to access data-sets to load into the data-warehouse and determine the frequency of these.
  - SAFS will work with Council officers to determine the most appropriate data-matching for each of them and the frequency of such data-matching.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA\* and all relevant policies of the Council.
9. Reactive fraud investigations.
  - All reported fraud will be actioned by SAFS within 5 days, on average.
  - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 2 working days of receipt
  - All cases reported to SAFS will be reviewed within 5 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3<sup>rd</sup> parties including police, DWP, Action Fraud.
  - The Council will be informed of all reported fraud affecting its services.
  - SAFS will allocate an officer to each case selected for investigation.
  - SAFS officers will liaise with nominated officers at the Council to access data/systems/office accommodation required to undertake their investigations.
  - SAFS officers will provide updates on cases and a report with summary of facts and supporting evidence on conclusion of the investigation for the Council to review and make any decisions.
  - Where a decision indicates an offence SAFS will draft a report for the nominated officers of the Council to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal based on the Code for Crown Prosecutors and the Council's published policies.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
12. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
13. SAFS will provide reports through the SAFS Board and to the Council's Audit Finance Audit & Risk Committee as agreed in the SAFS Partnership Contract.

*\*Data Protection Act , General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.*

## NHDC / SAFS Action Plan 2019/2020

CIPFA Principles	Goals & 6Cs	Activities	Responsible Officer		
<b>ACKNOWLEDGE</b>	Fraud is acknowledged as a Risk for the Council <b>CULTURE</b>	The Council has in place Anti-Fraud and Corruption Strategy & Fraud Response Plan Inclusion of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement. Review the Councils Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime Policies Audit Committee and Senior Managers ensure compliance with CIPFA best practice in their counter fraud arrangements The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	Chief Executive/ Service Director - Resources Service Director - Resources/ Service Director – Legal and Community Service Director - Resources Service Director – Legal and Community/ Corporate Human Resources Manager		
	The Council has a robust communication policy demonstrating its commitment to prevent fraud <b>COMMUNICATION</b>	The Councils Communication Team will publicise prosecutions, anti-fraud campaigns and provide internal communications to staff on fraud awareness Access to SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members. The Council and SAFS will provide fraud awareness or specific anti-fraud training across all Council services and review the E-Learning Training for staff SAFS will provide fraud alerts to appropriate officers/staff/services from Action Fraud/ NAFN/ Police .	Communications Manager SAFS Manager SAFS Manager / Corporate Human Resources Manager SAFS Manager		
	Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. <b>COLLABORATION</b>	Implement the contract for the Council to join the Herts <i>FraudHub</i> in 2019. Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA Deliver the NFI 2018/19 Exercise Work with DWP to deliver CTRS/HB joint working 2018 roll-out Work with other organisations, including private sector, to improve access to data	Service Director - Resources/ SAFS Manager Service Director – Legal and Community / SAFS Manager Service Director - Resources/ SAFS Manager Service Director - Resources/ SAFS Manager SAFS Manager		
		Have the highest levels of professional standards <b>COMPETENCE</b>	All SAFS staff will be fully trained and accredited All investigations will comply with relevant legislation and Council Policies SAFS will work with the LGA and Cabinet Office to support the roll out of a Counter-Fraud Profession SAFS will work with Council Services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA	SAFS Manager SAFS Manager SAFS Manager SAFS Manager	
			Ensuring the Counter-Fraud Measures are appropriate to the range of fraud risk. <b>CAPABILITY</b>	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council SAFS will record and report on all fraud referred, investigated and identified SAFS will review fraud trends and new threats and report on these to Council officers SAFS and the Councils Legal and Debt teams will seek to 'prosecute' offenders and recover losses	SAFS Manager SAFS Manager SAFS Manager SAFS Manager / Service Director – Legal and Community / Service Director - Resources
				Develop the right level of resources to deal with the level of fraud risk <b>CAPACITY</b>	The Council will review its ROI from SAFS Membership SAFS will assist the Council in providing its Transparency Code (Fraud) Data annually Reports for Finance Audit and Risk Committee on all Counter Fraud activity SAFS will work with bodies including MHCLG/LGA/CIPFA/FLLB to develop anti-fraud strategies at a national level that support fraud prevention in local government

**SAFS**

**KPIs 2019/2020**

<b>KPI</b>	<b>Measure</b>	<b>Target 2019/2020</b>	<b>Achieved 2018/2019</b>	<b>Reason for KPI</b>
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	New Target	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at NHDC. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to FAR Committee. C. SAFS Attendance at Council management/governance groups.	100% to all	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average.	New Target	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN. B. Membership of CIPFA Counter Fraud Centre. C. Access to NAFN for relevant Council Staff. D. 5 Fraud training events for staff/Members in year.	New Target	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. 100 - Fraud referrals from all sources reported to SAFS. B. 60% of cases investigated and closed in year with a positive outcome (includes cases prosecuted, sanctioned, or where loss identified).	A. 114 (100 Target) B. 68% (60% Target)  (As at 20.2.2019)	This target will measure the effectiveness of the service in promoting the reporting of fraud by staff and public, & Measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Implement the Herts FraudHub for NHDC. B. Assist with compliance with NFI 2018/2019.	New Target	Build a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

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**FINANCE, AUDIT & RISK COMMITTEE  
21 MARCH 2019**

**PUBLIC DOCUMENT**

**TITLE OF REPORT: LOCAL CODE OF CORPORATE GOVERNANCE AND ANNUAL GOVERNANCE STATEMENT ACTIONS (PLAN 2017/18) UPDATE**

REPORT OF: SENIOR POLICY OFFICER

EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]  
COUNCIL OBJECTIVE: RESPONSIVE AND EFFICIENT

**1. EXECUTIVE SUMMARY**

- 1.1. For the Finance, Audit & Risk Committee to approve the Local Code of Corporate Governance for 2018; and review the progress of the Annual Governance Statement ('AGS') Action Plan 2017/18.

**2. RECOMMENDATIONS**

That the Committee:

- 2.1. approves the Local Code of Corporate Governance 2018 (Appendix A); and  
2.2. notes the current position with the AGS Action Plan (Appendix B).

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 It is recommended practice to review the Local Code of Corporate Governance each year to ensure it remains up to date and relevant.  
3.2 Reviewing the AGS Action Plan during 2018/19 provides the Committee with assurances that NHDC is following through with recommended changes and/or improvements to its governance arrangements.

**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 Council's external auditors and SIAS were consulted on the AGS 2018/19. Finance, Audit & Risk Committee Members were given the opportunity to comment on the draft AGS and Action Plan at Committee and post Committee before this was finalised. The AGS referred to assurances provided from various sources (for example internal and external audit reports completed) for the 2018/19 period. The Action Plan was based on recommended action/ planned review procedures recommended by SIAS, SMT (the Chief Executive, Deputy Chief and Service Directors) and relevant Corporate Managers through the combined assurance statements.
- 5.2. No other external or Member consultation has been undertaken on the content of the report.

## **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**

### *AGS:*

- 7.1 Reference is made to the report of 24<sup>th</sup> September 2018\*, which sets out the AGS and legal requirements for preparation, review and approval of the AGS, together with the matters included/ and parties involved in that process. The AGS reviews the systems in place for the previous financial year and identifies any actions to be undertaken in the forthcoming year as part of an Action Plan.

### *Local Code of Corporate Governance:*

- 7.2 It is recommended good practice for the Local Code of Corporate Governance ('the Local Code') be reviewed annually and was last updated in March 2017. It was based on the current (2016) CIPFA/ SOLACE Framework Delivering Good Governance in Local Government Framework 2016 Edition principles. This remains the basis for an assessment of governance arrangements for the 2018/19 period.
- 7.3 If the Code is approved by this Committee, it will be placed on the NHDC Corporate Governance internet page. Confirmation of the updated Code shall be provided to Members through the MIS process and to employees via the *Insight* monthly staff briefing.
- 7.4 The Code and the CIPFA/SOLACE Framework will then provide the effective scheme against which the AGS operational governance compliance will be measured.



*Action Plan:*

- 7.5 The last AGS (2017/18) was approved at the Finance, Audit and Risk Committee in September 2018. This included an Action Plan to be reviewed bi-annually. The updated position is provided in Appendix B. This also sets out what is recommended for a carry forward for the Action Plan for the AGS 2018/19.

**8. RELEVANT CONSIDERATIONS**

- 8.1. The Local Code 2018 is at Appendix A.
- 8.2. The updates on the AGS Action Plan are set out in Appendix B. In regard to Action 4 - Delegated Decision Guidance under consideration in respect of delegated planning decisions. Guidance has been updated and notified to staff and members. The initial notification was via MIS on the 27<sup>th</sup> April and then re-issued on the 7<sup>th</sup> December. The guidance can be found here on the intranet - Guidance to Members and Officers - Taking a Delegated Decision. As part of the member training on the 8<sup>th</sup> January 2019, the Planning Control and Conservation Manager lead a section to cover this area. In regard to action point 14. The Gender Pay Gap (GPG) Action plan proposes some of the following actions – reduction in differential between female and male in higher grade by assessing staff career aspirations, continue with recruitment training to eliminate unconscious bias, deeper analysis of GPG data to assess root causes of pay differential. The updated action plan will be available on the Internet as part of the Gender Pay Gap report 2018 by the 30<sup>th</sup> March publication date.

**9. LEGAL IMPLICATIONS**

- 9.1 Any relevant legal implications are set out above (with reference to previous reports on the AGS).
- 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.”* Review and approval of the AGS is a non-executive function and falls within the Committee’s remit.

**10. FINANCIAL IMPLICATIONS**

- 10.1 There are no direct financial implications arising from this report.

**11. RISK IMPLICATIONS**

- 11.1. Ineffective corporate governance arrangements have a number of inherent risks in the context of organisational management, the use of resources and service delivery. Approving a Local Code of Corporate Governance based on the national CIPFA/ SOLACE Framework is a means of mitigating potential risks.

11.2. The ongoing review of the identified actions arising from the AGS provides the Committee with assurance that measures are being put in place to reduce identified risks. The process of assessing the Council's governance arrangement enables any areas of weakness to be identified and an Action Plan to improve governance identified and monitored.

## **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 Senior Policy Officer undertakes an Annual Cumulative Equality Impact Assessment of these and publishes it on the Council's website<sup>1</sup>.

## **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.

## **15. APPENDICES**

15.1 Appendix A – Local Code of Corporate Governance 2018.

15.2 Appendix B – AGS Action Plan update.

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<sup>1</sup> <https://www.north-herts.gov.uk/home/council-performance-and-data/policies/equality-and-diversity>

## 16. CONTACT OFFICERS

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Monitoring Officer: [Jeanette.thompson@north-herts.gov.uk](mailto:Jeanette.thompson@north-herts.gov.uk)

## 17. BACKGROUND PAPERS

- 17.1 Finance, Audit and Risk report (24<sup>th</sup> September 2018 links – [AGS Action plan 2018/19 – Progress Review](#); [Appendix B – Action Plan Update 2018/19](#))
- 17.2 Local Code of Corporate Governance published in March 2016 updated March 2018  
<https://www.north-herts.gov.uk/sites/northherts-cms/files/Local%20Code%20of%20Corporate%20Governance%2021%203%2018.pdf>
- 17.3 Annual Governance Statement 2017/18 links- <https://www.north-herts.gov.uk/sites/northherts-cms/files/FINAL%20Annual%20Governance%20Statement%202017%2018%20v1.pdf>

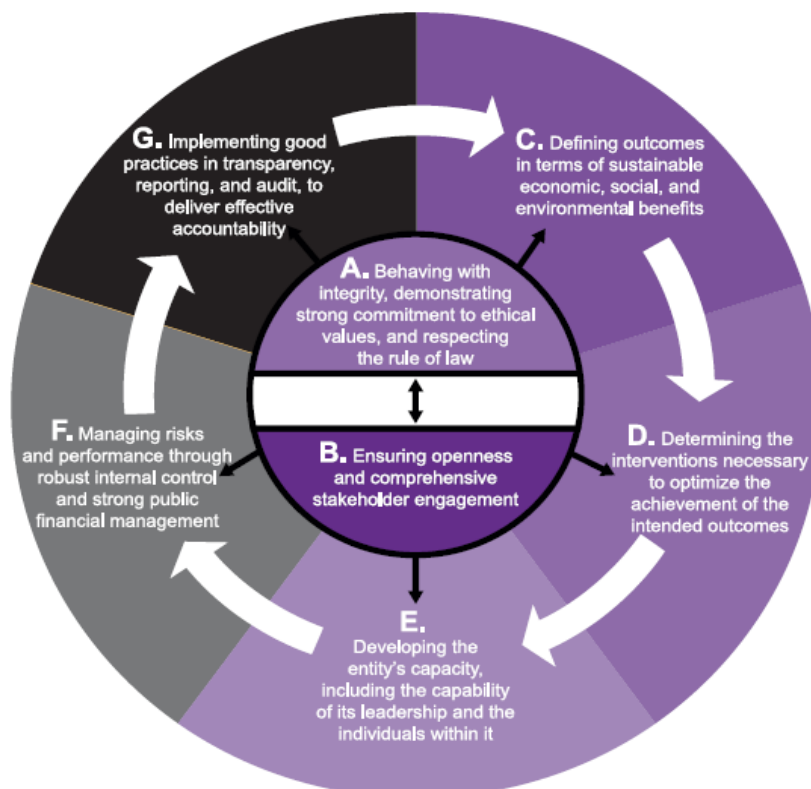
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## 1. INTRODUCTION

- 1.1 North Hertfordshire District Council (NHDC) is committed to achieving good corporate governance and this Local Code of Corporate Governance confirms its ongoing commitment to do so.
- 1.2 This Code outlines NHDC's approach towards corporate governance and the principles against which its arrangements will be measured.

### 1. WHAT IS CORPORATE GOVERNANCE?

- 2.1. The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Government Chief Executives (SOLACE) set the standard for local authority governance in the UK through their Framework principles and published a new set in April 2016. These principles *are themselves* derived from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework'). NHDC's Code is therefore based on these principles:



- 2.2. The 2016 Framework defines governance as comprising of: “...***the arrangements (including political, economic, social, environmental administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.***”

2.3. The CIPFA/Solace Framework states<sup>1</sup> that “**To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.**”

2.4. These principles and sub-principles are:

<b>Principles in bold, Sub-principles in italics.</b>
<b>Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</b>
<b>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.</b>
<b>1) Behaving with integrity</b>
<i>i) Ensuring Members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</i>
<i>ii) Ensuring Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).</i>
<i>iii) Leading by example and using these standard operating principles or values as a framework for decision making and other actions.</i>
<i>iv) Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</i>
<b>2) Demonstrating strong commitment to ethical values</b>
<i>i) Seeking to establish, monitor and maintain the organisation’s ethical standards and performance.</i>
<i>ii) Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation.</i>
<i>iii) Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</i>
<i>iv) Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.</i>
<b>3) Respecting the rule of law</b>
<i>i) Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.</i>

<sup>1</sup> Delivering good governance in Local Government Framework (2016 Edition)

<i>ii) Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</i>
<i>iii) Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</i>
<i>iv) Dealing with breaches of legal and regulatory provisions effectively.</i>
<i>v) Ensuring corruption and misuse of power are dealt with effectively.</i>
<b>Principle B. Ensuring openness and comprehensive stakeholder engagement.</b>
<b>Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.</b>
<b>1) Openness</b>
<i>i) Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.</i>
<i>ii) Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.</i>
<i>iii) Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</i>
<i>iv) Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.</i>
<b>2) Engaging comprehensively with institutional stakeholders</b>
<i>i) Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</i>
<i>ii) Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.</i>
<i>iii) Ensuring that partnerships are based on:</i> — trust — a shared commitment to change — a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.
<b>3) Engaging stakeholders effectively, including individual citizens and service users</b>
<i>i) Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</i>
<i>ii) Ensuring that communication methods are effective and that members and officers are clear</i>

<i>about their roles with regard to community engagement.</i>
<i>iii) Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</i>
<i>iv) Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.</i>
<i>v) Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</i>
<i>vi) Taking account of the interests of future generations of tax payers and service users.</i>
<b>Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>
<b>The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</b>
<b>1) Defining outcomes</b>
<i>i) Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions.</i>
<i>ii) Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.</i>
<i>iii) Delivering defined outcomes on a sustainable basis within the resources that will be available.</i>
<i>iv) Identifying and managing risks to the achievement of outcomes.</i>
<i>v) Managing service user’s expectations effectively with regard to determining priorities and making the best use of the resources available.</i>
<b>2) Sustainable economic, social and environmental benefits</b>
<i>i) Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.</i>
<i>ii) Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints.</i>
<i>iii) Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</i>
<i>iv) Ensuring fair access to services.</i>
<b>Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes</b>



Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

### **1) Determining interventions**

*i) Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.*

*ii) Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.*

### **2) Planning interventions**

*i) Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.*

*ii) Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.*

*iii) Considering and monitoring risks facing each partner when working collaboratively including shared risks.*

*iv) Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.*

*v) Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.*

*vi) Ensuring capacity exists to generate the information required to review service quality regularly.*

*vii) Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.*

*viii) Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.*

### **3) Optimising achievement of intended outcomes**

*i) Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.*

*ii) Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.*

*iii) Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise*

during the budgetary period in order for outcomes to be achieved while optimising resource usage.

iv) Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes".

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

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

**1) Developing the entity's capacity**

i) Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.

ii) Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.

iii) Recognising the benefits of partnerships and collaborative working where added value can be achieved.

iv) Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.

**2) Developing the capability of the entity's leadership and other individuals**

i) Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.

ii) Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.

iii) Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.

iv) Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:

- ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged.

- ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.
- ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.

v) Ensuring that there are structures in place to encourage public participation.

vi) Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.

vii) Holding staff to account through regular performance reviews which take account of training or development needs.

viii) Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

#### **Principle F. Managing risks and performance through robust internal control and strong public financial management**

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.

It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery.

Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

##### **1) Managing risk**

i) Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.

ii) Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.

iii) Ensuring that responsibilities for managing individual risks are clearly allocated.

##### **2) Managing performance**

i) Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.

ii) Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.

*iii) Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible.*

*iv) Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.*

*v) Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements).*

### **3) Robust internal control**

*i) Aligning the risk management strategy and policies on internal control with achieving the objectives).*

*ii) Evaluating and monitoring the authority's risk management and internal control on a regular basis).*

*iii) Ensuring effective counter fraud and anti-corruption arrangements are in place).*

*iv) Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor).*

*v) Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:*

- provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment*
- that its recommendations are listened to and acted upon.*

### **4) Managing data**

*i) Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.*

*ii) Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.*

*iii) Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.*

### **5) Strong public financial management**

*i) Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.*

*ii) Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.*

### **Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

**Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner.**

<b>Both external and internal audit contribute to effective accountability.</b>
<b>1) Implementing good practice in transparency</b>
<i>i) Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</i>
<i>ii) Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.</i>
<b>6) Implementing good practices in reporting</b>
<i>i) Reporting at least annually on performance, value for money and the stewardship of its resources.</i>
<i>ii) Ensuring members and senior management own the results.</i>
<i>iii) Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement).</i>
<i>iv) Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.</i>
<i>v) Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.</i>
<b>7) Assurance and effective accountability</b>
<i>i) Ensuring that recommendations for corrective action made by external audit are acted upon.</i>
<i>ii) Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon.</i>
<i>iii) Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.</i>
<i>iv) Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.</i>
<i>v) Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.</i>

## 2. NHDC'S GOVERNANCE AIM

- 3.1. NHDC aims to meet the above Framework principles in a cost efficient and effective governance manner. The Council is required to review its arrangements annually and will assess these against the principles and prepare and publish an Annual Governance Statement (AGS) in

accordance with Delivering Good Governance in Local Government: Framework (2016) and the statutory requirements<sup>2</sup>.

- 3.2. Many of the requirements contained within the principles and this Code are included in the Council's Constitution and the Council's key strategies and policies, which are available through the Council's website:

<https://www.north-herts.gov.uk/>

As part of the annual assessment, the AGS will, however, set out how the requirements have been met through specific examples/ outcomes as against the above principles; or if these have not been met in part/ fully, detail the actions NHDC will take to address the matter. The assessment document will be published on the Council's website.

### 3. NHDC'S VISION

- 4.1. Leadership and collaborative working are developed themes within NHDC. It has a vision and Corporate Plan that sets out NHDC's strategic ambitions and aspirations for the district for 2019-2024.

- 4.2. NHDC's Vision is:

***'Making North Herts a vibrant place to live, work and prosper'.***

This is not just the sole vision of the Council. It belongs to and was created by all of the partners of the Local Strategic Partnership (known as the North Hertfordshire Partnership). It is clear that the Council must work with its partners, businesses and urban and rural communities to achieve this vision.

- 4.3. NHDC's internal corporate business planning process supports the delivery of the vision in terms of what we do and the collaborative work we carry out in conjunction with our partners.

- 4.4. The vision is supported by the Council's Corporate Objectives, which for 2018 onwards are:

- **Attractive & Thriving**

To work with our partners to provide an attractive and safe environment for our residents, where diversity is welcomed and the disadvantaged are supported.

- **Prosper & Protect**

To promote sustainable growth both within and where it affects our district to ensure economic and social opportunities exist for our communities, whilst remaining mindful of our cultural and physical heritage.

- **Responsive & Efficient**

To ensure that the Council delivers cost effective and necessary services to our residents that are responsive to developing need and financial constraints.

- 3.6 The Council aspires to achieve its priorities in an open and transparent manner having due regard to equal opportunities and the opportunities and benefits proffered by innovative and flexible partnership working.

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<sup>2</sup> Under the Local Audit and Accountability Act 2014 ('LAAA 2014') and the Accounts and Audit Regulations 2015/234

## 5. CONCLUSION

To ensure that it keeps its aims, NHDC will:

- Review its Local Code of Corporate Governance annually to ensure that it reflects current recommended practice and remains a “live” document;
- Monitor all arrangements in place for practical effectiveness;
- Review practices, procedures and guidelines on a regular basis;
- Review its arrangements and report these through the AGS on how NHDC is complying with the principles/ the Code. This will include oversight of the assessment by the Senior Management Team and Member consideration and approval (through appropriate bodies). This assessment will include review of: the annual internal auditor’s opinion from the Head of the Shared Internal Audit Service (SIAS); external auditors opinion/ letter; managers’ assurance statements; the Finance, Audit and Risk Committee annual report/ review of its effectiveness; inspection reports (SIAS and the Shared Anti-Fraud Service – SAFS); Ombudsman’s recommendations; annual Scrutiny report; Standards Committee report; project governance and risk arrangements;
- Identify any necessary governance actions in the AGS including appropriate timescales and designate Lead Officers for the forthcoming year;
- Ensure that actions identified in the AGS are monitored and reported back through the Senior Management Team process (as appropriate) and to Members of Finance, Audit and Risk Committee.

Review date – 21 March 2019

*This Code will be reviewed by 31<sup>st</sup> March 2020 unless any significant changes are required in the interim.*

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Action	Officer update
<p>1a. Implementation of Cabinet resolutions of 28 March 2017<sup>1</sup> on Data Protection (DP)/ Freedom of Information SIAS review recommendation.</p> <p>1b. To review and potentially introduce new Member training e-learning system [Service Director – Customers]</p>	<p>1a.</p> <ul style="list-style-type: none"> <li>• Monthly reports are generated by the HR Learning &amp; Development team for the Service Director - Customer and those officers who have not completed the on-line DP Training are contacted and reminded that they are required to complete the training. Service Directors are also updated.</li> <li>• The Service Director for Customers confirmed that that auto-forwarding was switched off on 26<sup>th</sup> June 2017.</li> <li>• 22 Members registered as Data Controllers with the ICO's Office (<b>COMPLETED</b>)</li> </ul> <p>1b.</p> <ul style="list-style-type: none"> <li>• E-learning training -No update available at this stage [<b>ongoing and carried forward to 2019/20</b>].</li> </ul>
<p>2. Executive member for Policy to review Member leadership/communicating shared values (sub-principle A1ii) as part of Corporate Plan review process (Chief Executive with Group Leaders' input)</p>	<p>The Deputy Chief Executive with the Learning &amp; Development Manager are developing new cultural shared values for Members and staff. This follows on from an IIP highlighted a requirement to "<b>bringing greater clarity to organisational objectives and expected behaviours</b>" as a key element to the organisations development. [<b>ongoing and carried forward to 2019/20</b>]</p>
<p>3. Constitutional review to change sections 12 &amp; 14 [Monitoring Officer].</p>	<p>Constitution changes to reflect the changes in section 12 &amp; 14 were approved under Delegated authority on 31 May to come into force for the new structure on 1 June. Subsequent changes were approved at Council on 18 July 2018) [<b>COMPLETED</b>].</p>
<p>4. Delegated Decision Guidance under consideration in respect of delegated planning decisions [Monitoring Officer/ Deputy Monitoring Officer]. Delegated Planning Decision report template being reviewed in the light of a number of court cases</p>	<p>Relevant planning officers have been advised that all delegated decisions are to be documented on an updated planning decision template, with hard copies of this and supporting documents supplied upon request. With the 2014 Regulations, exemption does not apply, then (with the exception of delegated Planning decisions which shall be uploaded on to the planning website page). The Guidance to Councillors and Officers has been updated and notified to staff. MHCLG has stated that there are no plans to amend existing legislation but is considering whether there is any guidance that could be given to assist local authorities. [<b>COMPLETED</b>]. See section 8.2 for update.</p>
<p>5. SAFS to roll out an e-learning anti-fraud training package for employees during 2017 [SAFS Manager]</p>	<p>SAFS e-learning is live on the Grow Zone (staff learning management system) and is being promoted to staff via the interactive screens [<b>COMPLETED</b>].</p>
<p>6. IIP assessment 2017 – review outcome by March 2018 [Corporate Human Resources Manager]</p>	<p>The organisation accredited status remains in place for a three year period. A revised IIP report was issued which addressed the concerns of the quality of the original IIP report. Accreditation will be considered in the future. [<b>COMPLETED</b>].</p>
<p>7. Job descriptions, delegations and organisational chart to be updated on website following reorganisation during 2017 [Corporate Human Resources Manager]</p>	<p>This work is ongoing. The Service Directors are all now all in place and the senior manager organisation. [<b>COMPLETED</b>]. Directorates are being realigned to new responsibilities and ensure resilience. [<b>ongoing and carried forward to 2019/20</b>]</p>

<sup>1</sup> <http://web.north-herts.gov.uk/aksnherts/users/public/admin/kab12.pl?cmto=CAB&meet=103&arc=71>

Appendix A Action Plan update

<p>8. To consider ways to feedback results following consultation [Communications Manager]</p>	<p>The Communications manager has completed an interim review of the communication strategy. The recommendations include refresh training for the Senior Manager group regarding the principles of the Consultation strategy; recruit new member for the Citizen's panel; take forward the introduction of new electronic bulletins and email to better engage residents; continue to seek examples of best practice in management of Citizens Panels. <b>[ongoing carried forward to 2019/20]</b></p>
<p>9. Investigate the possibility of realistic and cost effective Social Value report/ Cumulative Analysis Action for 2017/18 [Senior Management Team]</p>	<p>After discussion at the Senior Management Group (SMG) this will be reviewed by the Contract and Procurement Group on an annual basis to learn from good practice and to learn from any missed opportunities. Social Value will continue to be raised at an early stage of the procurement process as this is the best time to build it in. <b>[COMPLETED]</b>.</p>
<p>10. Review O&amp;S Committee once Central Government's national inquiry completed [Senior Management Team].</p>	<p>The report and government responses will be reviewed by the SMT/O&amp;S officer and the recommendations will be applied where relevant following any updated Guidance and the LGA Peer review (scheduled for 2019) <b>[ongoing and carried forward to 2019/20]</b>.</p>
<p>12. Preparation for General Data Protection Regulation 'GDPR' implementation by May 2018; Development of new Privacy forms statements and additional training for members and staff [Service Director – Customers]</p>	<p>Preparation and actions for GDPR implementation complete. Privacy statements were in place for May 2018 deadline <b>[COMPLETED]</b></p> <p>GDPR e learning training has been rolled out to staff and members – 91% of staff have completed/in progress of completion. 33% of members have completed/in progress of the e-learning module <b>[ongoing carried forward to 2019/20]</b>.</p>
<p>13. Implementation of any outstanding SIAS recommendations [Service Director – Resources]</p>	<p>SIAS quarterly reports are provided to FAR, which include the implementation status of Critical and High priority recommendations. SMT reports include outstanding Critical and High priority SIAS recommendations. FAR members are provided with audit reports that inform all recommendations. Pentana actions are created for Critical and High priority SIAS recommendations. These are assigned to managers with target completion dates. All audit actions currently showing as "green" as at 05/03/2019 <b>[COMPLETED]</b></p>
<p>14. Establish an officer group to explore the implementation of the Gender Pay Gap Action report recommendations.</p>	<p>An officer lead group is considering the recommendations and considering the best practice guide from Government Equalities Office evidence based actions. <b>[COMPLETED]</b>.(see update within report)</p>

**FINANCE AUDIT AND RISK COMMITTEE**  
**21 March 2019**

**PUBLIC DOCUMENT**

**TITLE OF REPORT: RISK MANAGEMENT UPDATE**

REPORT OF: THE SERVICE DIRECTOR: RESOURCES  
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM  
COUNCIL PRIORITY: PROSPER AND PROTECT / RESPONSIVE AND EFFICIENT

**1. EXECUTIVE SUMMARY**

To provide the Committee with an update on the Corporate risks ,and the proposed changes to these risks.

**2. RECOMMENDATIONS**

2.1 That the Committee notes the changes to the Corporate risks for the Quarter, namely

° North Hertfordshire Museum and Hitchin Town Hall Project to be reduced from a 9 to a 3 on the risk matrix.

° New Brexit Corporate risk to be introduced with a score of 9 on the risk matrix.

**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 the Executive Member for Finance and IT 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 December meeting of the Finance, Audit and Risk Committee, the Committee noted that there were no changes to the Corporate risks and the report was approved and referred on to Cabinet. The report was subsequently approved by Cabinet.

## **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, the Council's performance and risk management software. Table 1 shows the last date that each Corporate risk was reviewed by the risk owner.
- 8.1.2 The North Hertfordshire Museum and Hitchin Town Hall Project risk was discussed at the Risk Management Group and a revised summary of the risk is provided at Appendix A. It is proposed that the risk score is reduced from a 9 to a 3. This is to reflect the completion of the purchase of 14 and 15 Brand Street and the fact that the rest of the project is now under full NHDC control.
- 8.1.3 A new Service risk was proposed for Brexit and this was discussed at the Risk Management Group. A summary of this new risk is provided at Appendix B. After discussion, it was proposed that this risk should be classified as a Corporate risk rather than a Service risk, due to its far reaching implications. The proposed risk score of 9 was discussed at length and it was agreed that the risk score should remain high to reflect the current level of uncertainty.

**Table 1: Risk and Opportunities Matrix –Proposed Changes**

<b>Likelihood</b>	<b>3 High</b>	<b>4</b>	<b>7</b> <ul style="list-style-type: none"> <li>• Income Generation (13.11.18)</li> <li>• Sustainable Development (10.10.18)</li> </ul>	<b>9</b> <ul style="list-style-type: none"> <li>• Local Plan (10.10.18)</li> <li>• Managing the Council's Finances (21.12.18) ↔</li> <li>• Waste Management, Recycling and Street Cleansing (15.11.18)</li> <li>• Brexit (11.02.19) <b>NEW</b></li> </ul>
	<b>2 Medium</b>	<b>2</b>	<b>5</b> <ul style="list-style-type: none"> <li>• Increased Homelessness (27.12.18) ↔</li> <li>• Workforce Planning (25.09.18)</li> </ul>	<b>8</b> <ul style="list-style-type: none"> <li>• Cyber Risks (27.09.18)</li> </ul>
	<b>1 Low</b>	<b>1</b>	<b>3</b> <ul style="list-style-type: none"> <li>• North Hertfordshire Museum and Hitchin Town Hall Project (07.02.19) ↓ (from a 9)</li> </ul>	<b>6</b>
		<b>1 Low</b>	<b>2 Medium</b>	<b>3 High</b>
		<b>Impact</b>		

## **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 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- Summary of changed North Hertfordshire Museum and Hitchin Town Hall Project risk.
- 15.2 Appendix B – Summary of proposed new Brexit risk

**16. CONTACT OFFICERS**

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**17. BACKGROUND PAPERS**

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

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# North Hertfordshire Museum and Hitchin Town Hall Project

Generated on: 15 February 2019



<b>Risk Code</b>	CR39	<b>Risk Title</b>	North Hertfordshire Museum and Hitchin Town Hall Project
<b>Risk Owner</b>	Anthony Roche	<b>Updated By</b>	Steve Crowley
<b>Year Identified</b>	2008	<b>Corporate Priority</b>	Prosper and Protect
<b>Risk Description</b>	<p>To implement plans for one gallery, museum and community venue in a town centre location. The Council is converting Hitchin Town Hall to a joint community facility and as the location for the district museum.</p> <p>Although the Council attempted to comply with DDA, the existing museum buildings and collections were not fully accessible to all.</p> <p><b>The remaining risks associated with the project are:</b></p> <ul style="list-style-type: none"> <li>- Delays in completing the project and opening the new museum fully</li> <li>- A further delay in opening the museum might result in reputational damage, e.g. the public will continue to be unable to access the museum and exhibits fully</li> <li>- Additional financial costs associated with project issues or delays in opening, e.g. not opening within the agreed Heritage Lottery Fund extension period</li> <li>- Relationship and effectiveness of the fit out contractors</li> <li>- Failure of contractors to deliver the fit out of the museum to the required quality and within budget</li> <li>- The continued financial stability of the fit out contractors</li> <li>- Reputational risk if the design and finish of the new museum falls short of expectations</li> </ul> <p><b>The risks to the Museum Service are:</b></p> <ul style="list-style-type: none"> <li>- Financial risks associated with the operation of the new facility or the achievement of the anticipated operating surplus</li> <li>- Operational risks associated with an inability to market effectively or book visiting exhibitions</li> <li>- Failure to appoint required staff to operate the cafe and museum</li> </ul>		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- Provide a fully accessible new museum</li> <li>- Achieve revenue savings</li> <li>- Safeguard important community facility for public use</li> <li>- Opportunity for the Council to generate income from the newly refurbished Town Hall, cafe and museum</li> </ul>		
<b>Consequences</b>	<ul style="list-style-type: none"> <li>- Quality of facilities remains poor (negative impact on quality of service)</li> <li>- Services become unsustainable (financial, quality and HLF grant issues)</li> <li>- Poor value for money</li> <li>- Any time delays will have a significant negative financial impact on NHDC regarding income generation</li> </ul>		
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>• Council has authorised the project</li> <li>• The Council and Hitchin Town Hall Ltd have signed the development agreement</li> <li>• Project being managed under PRINCE2 and Project Board including representation from all parties established</li> <li>• Key organisations are represented on specific projects</li> <li>• Arts, Museums and Heritage Forum meets regularly/receives regular newsletters</li> <li>• Object assessment for the new museum carried out and draft themes for exhibition areas in the museum have been completed</li> <li>• Link between Asset Management Group and Project Board for museums in place</li> <li>• Business plan in place with Hitchin Town Hall Ltd</li> <li>• HLF bids Phase 1 and 2 successfully achieved</li> <li>• Audience development consultant appointed; consultation with range of user/non-user groups took place, report written</li> <li>• Listed Building Consent for services agreed</li> <li>• Building work has been completed</li> </ul>		

North Hertfordshire Museum and Hitchin Town Hall Project

	<ul style="list-style-type: none"> <li>• Awarded Museum Fit Out and Audio Visual contractors</li> <li>• Museum showcases have been installed</li> <li>• Tendered out the cafe and kitchen contract</li> <li>• Purchased all Capital items for the Town Hall</li> <li>• The majority of the museum staff have moved office and they are now based in the new museum</li> <li>• Obtained all licences that are appropriate for the Town Hall at the moment</li> <li>• Digitised key collections for publishing on the web</li> <li>• Cafe and kitchen fit out completed</li> <li>• Required Town Hall staff resources in place</li> <li>• Key Financial Risks identified for 2017/18</li> <li>• Fit out of the main museum building (parts not affected by the land previously known as 14 and 15 Brand Street) are substantially complete</li> <li>• Evaluated viable alternative options regarding 14 and 15 Brand Street</li> <li>• Health and Safety issues relating to the roof highlighted in a report from the Health and Safety advisor to the project</li> <li>• Key Financial Risks identified for 2018/19</li> <li>• Report to Cabinet - 23 January 2018</li> <li>• Undertook the snagging process relating to the fit out of the main museum building (parts not affected by the land previously known as 14 and 15 Brand Street)</li> <li>• Guided "behind the scenes" tours of the new museum for Members and the public</li> <li>• Response received from lead project consultant regarding the issues with the roof and the suggested improvements</li> <li>• Exhibition gallery on the ground floor open to the public (Tuesday to Saturday)</li> <li>• Recent exhibitions include F L Griggs: Visions of England and Shell Heritage Art Collection</li> <li>• Investigated and evaluated alternative options</li> <li>• Reports presented to Cabinet on 19 June 2018 and 25 September 2018</li> <li>• Renegotiated with HTHL regarding the acquisition of 14 and 15 Brand Street</li> <li>• Agreed final extension period with the Heritage Lottery Fund</li> <li>• Report presented to Cabinet on 20 November 2018. Cabinet:             <ul style="list-style-type: none"> <li>- Approved the purchase of 14/15 Brand Street for £550,000</li> <li>- Confirmed that the Council should enter into the Settlement Agreement</li> <li>- Noted the timeline for the full opening of the North Hertfordshire Museum (June 2019)</li> </ul> </li> <li>• Purchase of 14/15 Brand Street completed on 30 January 2019</li> <li>• Joint press release issued confirming sale</li> <li>• 2019/20 Financial Risk - "Further delay to the opening of the North Herts Museum and Cafe due to unanticipated incidents hinders the achievement of the operating surplus anticipated from the Community facility." (Medium Risk/£100K)</li> </ul>		
<p><b>Ongoing Work</b></p>	<ul style="list-style-type: none"> <li>• Museum Service communication via social media outlets</li> <li>• Information Notes circulated via Area Committees and MIS</li> <li>• Project plan created to deliver remaining tasks within required timescales</li> <li>• Project Risk Log monitored</li> <li>• Mitigating measures to control NHDC costs and deliver the project as envisaged</li> <li>• Further recruitment of museum staff planned</li> <li>• Monitoring of contractors' credit score ratings</li> <li>• Payment to contractors only made following completion of relevant works</li> </ul>		
<p><b>Current Impact Score</b></p>	<p>2</p>	<p><b>Current Likelihood Score</b></p>	<p>1</p>
<p><b>Overall Risk Score</b></p>	<p>3</p>	<p><b>Current Risk Matrix</b></p>	
<p><b>Date Reviewed</b></p>	<p>07-Feb-2019</p>	<p><b>Next Review Date</b></p>	<p>07-May-2019</p>
<p><b>Residual Risk</b></p>	<p>- Health and Safety issues identified relating to roof access/egress and the safety of contractors/senior museum staff working on the roof, e.g. maintaining plant equipment</p>		


<b>Latest Note</b>	07-Feb-2019 Steve Crowley reviewed the risk entry on 7 February 2019. Risk Description, Work Completed and Ongoing Work updated in view of the recent purchase of 14/15 Brand Street. Delivery of the final project stages is now under the full control of NHDC and is ongoing. In view of the progress made, the Impact score was reduced to 2-Medium and the Likelihood score was reduced to 1-Low.
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<b>Risk Code</b>	RR562	<b>Risk Title</b>	Brexit
<b>Risk Owner</b>	Anthony Roche; David Scholes	<b>Updated By</b>	Reuben Ayavoo
<b>Year Identified</b>	2018	<b>Corporate Priority</b>	Responsive and Efficient
<b>Risk Description</b>	<p>Because of the UK withdrawal from the European Union (EU), which is set for 29 March 2019, the Council could face the following risks:</p> <ul style="list-style-type: none"> <li>- There is a change in the demand for services, e.g. due to lower living standards</li> <li>- The price of essential equipment/goods required to deliver services increases and/or the items become more difficult to obtain</li> <li>- There is a reduction in income and funding due to a decline in the demand for new housing</li> <li>- The Council or contractors lose employees from EU27 countries</li> <li>- Contractors fail to maintain the required level of service provision, e.g. due to the reduced availability of labour and/or equipment</li> <li>- There is a reduction in income and an increase in bad debts due to a downturn in the economy</li> <li>- Access to current EU funding programmes is lost</li> <li>- Returns from investments reduce, although this could also mean a reduction in the rates for borrow to invest opportunities</li> <li>- The electoral roll becomes inaccurate</li> <li>- Workload increases to prepare for and deal with any issues, although this also provides an opportunity to identify areas of good practice and improve partnership working</li> <li>- The price received for recyclable materials or the ability to dispose of the materials is reduced</li> </ul>		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- Potential investment opportunities, e.g. linked to lower interest rates or property prices</li> <li>- Preparations identify areas of good practice and improve partnership working</li> <li>- The Council becomes generally more resilient, not just in relation to Brexit</li> </ul>		
<b>Consequences</b>	<ul style="list-style-type: none"> <li>- Quality of service provision deteriorates</li> <li>- Projects fail to be delivered</li> <li>- Failure to respond effectively to an increased demand for services, which negatively affects residents</li> <li>- Damage to reputation</li> <li>- Increased pressure on staff</li> </ul>		
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- Senior Policy Officer developed an Impact Log to chart potential impacts of Brexit to North Hertfordshire</li> <li>- Impact Log reported to SMT in December 2018</li> <li>- Hertfordshire Local Resilience Forum implemented a Strategic Co-ordinating Group for Brexit</li> <li>- Ministry of Housing, Communities and Local Government (MHCLG) put in place intelligence gathering arrangements to collate the regional impact and preparations for Brexit</li> </ul>		
<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>- Careline stockpiling some essential equipment</li> <li>- Working with strategically important contractors to understand the risks they will potentially face and to ensure plans are being taken to mitigate those risks if possible</li> <li>- Contribute to countywide preparations for managing potential emergency incidents associated with Brexit</li> <li>- Senior Policy Officer monitoring the latest Brexit developments and providing regular updates to SMT (latest update presented on 5 February 2019 included the possible allocation of MHCLG Brexit contingency planning funding)</li> <li>- Senior Policy Officer updating the Impact Log (latest additions are the potential of civil disorder and food resilience)</li> </ul>		

New Risks - RMG

<b>Current Impact Score</b>	3	<b>Current Likelihood Score</b>	3
<b>Overall Risk Score</b>	9	<b>Current Risk Matrix</b>	
<b>Date Reviewed</b>	11-Feb-2019	<b>Next Review Date</b>	11-Apr-2019
<b>Notes</b>	<p>11-Feb-2019 Risk reviewed by Reuben Ayavoo on 11 February 2019, in order to ensure the risk entry reflected the latest developments prior to being reported to the Risk Management Group on 20 February 2019.</p> <p>13-Dec-2018 Reuben Ayavoo confirmed that he was happy with the contents of the risk entry and Anthony Roche confirmed the ownership details. RR562 made live on Pentana.</p> <p>11-Dec-2018 Following a meeting with Reuben Ayavoo and Kei-Retta Farrell, draft risk entry created to reflect the risks highlighted in the Brexit Impact Log and recent papers to SMT.</p>		

**CABINET**  
**26 March 2019**

**PUBLIC DOCUMENT**

**TITLE OF REPORT: THIRD QUARTER REVENUE MONITORING 2018/19**

**REPORT OF: 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 revenue income and expenditure forecasts for financial year 2018/19, as at the end of the third quarter. The forecast variance is a **£211k decrease** on the net working budget of £15.392m for 2018/19, with an ongoing impact in future years of **£92k decrease** and a request to carry forward budget of **£87k** to fund specific projects in 2019/20. There are a number of significant variances within these totals, which are detailed and explained in table 3. The report also provides an update on;

- the progress with the planned delivery of efficiencies (paragraph 8.3)
- the use of budget approved to be carried forward from 2017/18 (paragraph 8.4)
- performance against the four key corporate 'financial health' indicators (para 8.5)
- the overall forecast funding position for the Council and factors that may affect this (paras 8.6 – 8.11)

**2. RECOMMENDATIONS**

2.1 That Cabinet note this report.

2.2 That Cabinet approves the changes to the 2018/19 General Fund budget, as identified in table 3 and paragraph 8.2, a £211k decrease in net expenditure.

2.3 That Cabinet approves the changes to the 2019/20 General Fund budget, as identified in table 3 and paragraph 8.2, a £5k decrease in net expenditure.

### 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.

### 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 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 18<sup>th</sup> January 2019.

### 7. BACKGROUND

- 7.1 Council approved the revenue budget in February 2018 of £14.747 million. As at quarter 3 the working budget has increased to £15.392 million. Table 1 below details the approved changes to this budget to get to the current working budget:

**Table 1 - Current Working Budget**

	<b>£k</b>
Original approved budget for 2018/19	14,747
Quarter 3 2017/18 Revenue Monitoring report - 2018/19 budget changes approved by Cabinet (March 2018)	85
2017/18 Revenue Outturn Report - 2017/18 budget changes approved by Cabinet (June 2018)	346
Quarter 1 2018/19 Revenue Monitoring report - 2018/19 variances approved by Cabinet (July 2018)	30
Waste Collection Service in North Hertfordshire report – 2018/19 income implication from 3 month extension to payment period for green waste collection – approved by Council (November 2018)	85
Quarter 2 2018/19 Revenue Monitoring report – 2018/19 variances approved by Cabinet (December 2018)	(17)
Revenue monitoring included within 2019/20 budget report – 2018/19 variances approved by Cabinet (January 2019)	116
<b>Current Working Budget</b>	<b>15,392</b>



- 7.2 The Council is managed under Service Directorates. Table 2 below confirms the current net direct resource allocation of each Service Directorate in 2018/19 and how this has changed from the allocations published in the quarter two monitoring report. The budget transfers in quarter 3 mostly relate to directorate contributions to the vacancy control savings target.

**Table 2 – Service Directorate Budget Allocations**

Service Directorate	Net Direct Working Budget at Q2	Forecast Variances approved at Q2	Forecast Variances within 2019/20 budget report	Budget Transfers in Q3	Current Net Direct Working Budget
	£k	£k	£k	£k	£k
Chief Executive	1,374	(159)	0	310	1,525
Commercialisation	(447)	91	10	(164)	(510)
Customers	3,647	(40)	6	(3)	3,610
Legal & Community	2,232	(14)	(15)	(168)	2,035
Place	4,533	(208)	184	12	4,521
Regulatory Services	1,316	375	26	(4)	1,713
Resources	2,638	(62)	(95)	17	2,498
<b>TOTAL</b>	<b>15,293</b>	<b>(17)</b>	<b>116</b>	<b>0</b>	<b>15,392</b>

**8. RELEVANT CONSIDERATIONS**

**REVENUE INCOME AND EXPENDITURE FORECASTS**

- 8.1 Service Managers are responsible for monitoring their expenditure and income against their working budget. Table 3 below highlights those areas where there are forecast to be differences. An explanation is provided for each of the most significant variances, which are generally more than £25k. The final column details if there is expected to be an impact on next year's (2019/20) budget:

**Table 3 - Summary of forecast variances**

Budget Area	Working Budget £k	Forecast £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2019/20 £k
Waste Variation Orders	462	208	(254)	The waste contract includes unit prices where there will be variability in the need for those services (e.g. collection and delivery of bins and bulky waste collection). Due to the savings achieved through the core contract, this variation budget was set at a prudent level. Experience this year has been that this has not been required, but this may be linked to the operational issues experienced and a focus on the delivery of the core services. Therefore at this stage, an ongoing impact is not forecast. There have also been underspends on bin purchases as volumes required were less than expected for this	0	0

Budget Area	Working Budget £k	Forecast £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2019/20 £k
				year.		
Parking Services – Lines and Signs Maintenance Works	80	16	(64)	Request to carry forward to 2019/20. Tenders have been awarded to two contractors to undertake the lines and signs work. The lines and signs works in Royston are expected to be finished in 2018/19, with the rest of North Herts expected to be completed in the new financial year.	64	0
Car Parking Income	(1,814)	(1,869)	(55)	Increase in car parking income projection is based on actual parking income receipts recorded in the first three quarters of the year, which have been higher than anticipated.	0	(88)
Investment Interest	(320)	(360)	(40)	Level of investment interest income is higher than budgeted due to the reprofiling of the Capital Programme, which has increased cash balances available for investment.	0	0
Fernhill Sports Hall Management Fee	36	2	(34)	The management fee for 2017/18 (charged in this year) was £18k less than the value (£36k) accrued at the end of 2017/18. This was due to work undertaken on the hall roof and side panels in previous years reducing the level of maintenance spend required in year. In addition, the fee for 2018/19 is expected to be £20k, which is £16k less than the working budget provision. Maintenance costs are however expected to increase in future years, as the deterioration in the condition of the building increases the need for repair works.	0	0
Herts Warmer Homes Project	25	12	(13)	This is a project being undertaken with HCC and all other districts/boroughs in the County to enable residents to obtain free and discounted energy efficiency measures. Plans are being developed to extend the project into a third and possibly a fourth year, so it is requested to carry forward the remaining £13k for the continuation of the project in 2019/20.	13	0

Budget Area	Working Budget £k	Forecast £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2019/20 £k
Economic Development Officer	39	29	(10)	£10k carry forward requested for 2019/20. This is earmarked for economic development projects in relation to the evolving action plan as set out in the Economic Development Strategy. The tender for this work will be completed and the project started in 2018/19, but the work will not be completed until 2019/20.	10	0
Planning Income	(964)	(834)	+130	Reduction in the planning income target as a result of a reduced number of planning applications received in the last few months. This is a trend across other Hertfordshire Authorities and believed to be partly due to uncertainty nationally with regard to the housing market.	0	0
Planning Consultants	64	121	+57	Consultant spend was to advise on planning appeals for the Station Inn at Knebworth and The Cabinet, Reed. This is the last of the appeals for this financial year where consultants will be used to represent the Council, so no further significant spend is anticipated. This has been highlighted as a financial risk.	0	0
Vacancy Control Savings Target	(265)	(212)	+53	Vacancy Control target will not be achieved due to one off restructure costs.	0	0
DCO Rental Income	(30)	0	+30	The marketing of the office space, which commenced in late October, has not yet secured a tenant so rental income will not materialise this financial year.	0	0
Water and Sewerage costs for Amenity Areas	12	39	+27	Invoices based on actual meter readings received for the splash parks have highlighted that the estimated bills received previously were significantly underestimated. The projected outturn includes corrections to billing over several years.	0	8
<b>Total of explained variances</b>	<b>(2,675)</b>	<b>(2,848)</b>	<b>(173)</b>		<b>87</b>	<b>(80)</b>
Other minor balances	18,067	18,029	(38)		0	(12)
<b>Overall Total</b>	<b>15,392</b>	<b>15,181</b>	<b>(211)</b>		<b>87</b>	<b>(92)</b>

8.2 Cabinet are asked to approve the differences highlighted in the table above (£211k decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are asked to approve the estimated impact on the 2019/20 budget, a £5k decrease in budget, which includes the request to carry forward £87k of budget from 2018/19 to 2019/20 (recommendation 2.3).

8.3 The original approved budget for 2018/19 (and therefore working budget) included efficiencies totalling £2,706k, which were agreed by Council in February 2018. Any under or over delivery of efficiencies will be picked up by any budget variances (table 3 above). However there can be off-setting variances which mean that is unclear whether the efficiency has been delivered. Where this is the case, this will be highlighted. A net overachievement of £338k was forecast at quarter two. The current forecast is a net overachievement of £166k. The main reason for this decrease is the reduction in planning income and not achieving the DCO rental income which are highlighted in table 3. One other variance that is not highlighted in table 3 is:

- Replacement of existing Asset Management System. This saving has been underachieved by £8k due to a delay in transferring data over to the new system, which has meant the cost of the current system is still being incurred. The underachievement in the current year has however been absorbed by minor offsetting variances elsewhere in the service, which are included within the other minor balances figure in table 3.

1.3 The working budget for 2018/19 includes budgets totalling £515k 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 2017/18 but was delayed into 2018/19. At quarter three, it is forecast that a total of £161k of the budget carried forward will not be spent in the current financial year. This relates to:

- £87k - reported at Qtr2 that one carry forward would not be spent.
- Parking Services Lines and Signs Maintenance budget. £39k of the £55k carried forward budget will not be spent in this financial year, as highlighted and explained in table 3 above. The unspent budget is requested to be carried forward to be utilised in 2019/20.
- Economic Development Officer. £10k of the £18k carried forward will not be spent this financial year, as highlighted and explained in table 3. The unspent budget is requested to be carried forward to 2019/20.
- Herts Warmer Homes Project. £13k of the £25k carried forward will not be spent this financial year, which is highlighted and explained in table 3. The unspent budget is requested to be carried forward to 2019/20.
- Housing Market Review. £12k of the £21k carried forward will now not be spent. This is included in the minor balances total in table 3. The housing market review cannot be done until the local plan is adopted. As the work can be funded from allocated budget in future years, the carry forward provision is no longer needed.

- 1.4 There are 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. Table 4 below shows the income to date and forecasts 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 they are forecast to match or exceed the budgeted level of income. An amber indicator means that there is a risk that they will not meet the budgeted level of income. A red indicator means that they will not meet the budgeted level of income. Currently three of the indicators are red and one is green. The red indicators for land charges and car parking fees were highlighted at quarter two. The explanation for the red indicator for planning application fees is highlighted in table 3 above.

**Table 4 - Corporate financial health indicators**

<b>Indicator</b>	<b>Status</b>	<b>Original Budget £k</b>	<b>Actual income to date £k</b>	<b>Forecast income for the year £k</b>	<b>Projected Variance £k</b>
Planning Application Fees (including fees for pre-application advice)	Red	(940)	(615)	(806)	134
Land Charges	Red	(174)	(116)	(149)	25
Car Parking Fees	Red	(1,906)	(1,414)	(1,869)	37
Parking Penalty Charge Notices	Green	(532)	(387)	(532)	0

## **FUNDING, RISK AND GENERAL FUND BALANCE**

- 1.5 The Council's revenue budget is funded from the following main sources; Council Tax, New Homes Bonus and Retained Business Rates. The Council was notified by Central Government in February 2018 of the amount of New Homes Bonus it could expect to receive in 2018/19 and planned accordingly.
- 1.6 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 others (e.g. County Council). Each organisation has a share of the balance on the Collection Fund account. The current forecast position for 2018/19 is a surplus on the Council Tax position of around £300k and a deficit on Business Rates of approximately £58k. In respect of business rates, where a deficit is declared to Central Government (actual business rates income collected is lower than originally anticipated) NHDC is required to make a corresponding additional contribution to the Business Rates Collection Fund in the following year. This is the case in 2018/19, as at the end of 2017/18 there was a deficit on Business Rates of around £650k.

- 1.7 The Council is also subject to a business rates levy from Central Government as it is expected that NHDC will collect more in business rates than the baseline need determined by Central Government. In 2017/18 this levy amount was £685k. In 2018/19 however NHDC is a member of the re-formed Hertfordshire Business Rates Pool, with the expectation that this should reduce the levy amount required. The original estimate prepared by Hertfordshire County Council, calculated around the time the application was submitted to Central Government, indicated that NHDC would benefit from a pooling gain (in the form of a reduced levy amount payable) of approximately £400k. The County Council has requested from pool member authorities details of their forecast Business Rates income for 2018/19. County are still awaiting information from some authorities, so as at the present time a revised estimate of the pooling gain has not been provided.
- 1.8 Central Government have implemented a number of reliefs to reduce the burden of business rates and therefore promote business growth. The Council receives compensation for these reliefs in the form of a grant, which goes in to our funds rather than the Collection Fund. In 2018/19 NHDC expects to receive grant totalling £1.435m. This amount is held in an earmarked reserve and will be used to fund the additional contribution required to the Business Rates Collection Fund (following the deficit recorded for 2017/18) and the Business Rates levy amount payable for 2018/19.
- 1.9 Table 5 below summarises the impact on the general fund of the position at quarter three detailed in this report.

**Table 5 – General Fund impact**

	<b>Working Budget £k</b>	<b>Q3 Projected Outturn £k</b>	<b>Difference £k</b>
<b>Brought Forward balance (1<sup>st</sup> April 2018)</b>	<b>(7,403)</b>	<b>(7,403)</b>	<b>-</b>
Projected Net Spend	15,392	15,181	(211)
Funding (Council Tax, Business Rates, New Homes Bonus)	(15,045)	(15,045)	0
Contribution to Collection Fund relating to 2017/18 business rates deficit recorded	656	656	0
Funding from Business Rate Relief Grant Earmarked Reserve	(656)	(656)	0
<b>Carried Forward balance (31<sup>st</sup> March 2019)</b>	<b>(7,056)</b>	<b>(7,267)</b>	<b>(211)</b>

- 1.10 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 3). 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 £1,424k, and by the end of quarter three a total of £786k have come to fruition. The two identified risks realised in the third quarter relate to;
- Compensation costs awarded to a sex establishment in North Herts due to a legal challenge on fees. This was included in table 7 (within other minor variances) of the 2019/20 budget report. £20k
  - Costs associated with an appeal of a planning application (as detailed in table 3 above) £57k

**Table 6 – Known financial risks**

	<b>£'000</b>
<b>Original allowance for known financial risks</b>	<b>1,424</b>
Known financial risks realised in quarter 1	(243)
Known financial risks realised in quarter 2	(466)
Known financial risks realised in quarter 3	(77)
<b>Allowance for known financial risks remaining</b>	<b>638</b>

## **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*". The Council is under a duty to maintain 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.

## **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**

- 9.1 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**

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## CABINET

26 March 2019

### PUBLIC DOCUMENT

#### TITLE OF REPORT: THIRD QUARTER CAPITAL MONITORING 2018/19

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: CLLR JULIAN CUNNINGHAM

COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

#### 1. EXECUTIVE SUMMARY

- 1.1 To update Cabinet on progress with delivering the capital programme for 2018/19, as at the end of December 2018, and indicating its impact upon the approved capital programme for 2019/20 - 2023/24. The current estimate is a decrease in spend in 2018/19 of £0.475million and an increase in spend in future years of £0.466 million. The most significant individual changes relate to the decommissioning of playgrounds and pavilions, and an increase in expenditure on those community projects funded from developer (Section 106) contributions.

#### 2. RECOMMENDATIONS

- 2.1 That Cabinet notes the forecast expenditure of **£6.736million** in 2018/19 on the capital programme, paragraph 8.2 refers, and approves the adjustments detailed in table 3 which result in a net decrease on the working estimate of **£0.022million**.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2018/19 onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in future years 2019/20 by **£0.466million**.
- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 4, and the requirement to keep the capital programme under review for affordability.

#### 3. REASONS FOR RECOMMENDATIONS

- 3.1 Cabinet is required to approve revisions 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 18<sup>th</sup> January 2019.

#### **7. BACKGROUND**

7.1 In February 2018, Council approved the capital programme for 2018/19 to 2021/22. This was subsequently amended by reprogramming from 2017/18 and again in the First and Second Quarter monitoring reports.

7.2 The Medium Term Financial Strategy for 2018 to 2023 confirmed that the Council will seek opportunities to utilise capital funding 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 2018/19**

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 expected spend from 2018/19 to 2023/24 and the funding source for each capital scheme.

8.2 Capital expenditure for 2018/19 is estimated to be **£6.736million**. This is a reduction of **£0.475million** on the forecast in the second quarter report (reported to Cabinet on 18<sup>th</sup> December 2018). The decrease in spend in 2018/19 is largely due to the re-profiling of spend into future years. Table 1 below details changes to the capital programme,

including those changes to planned capital spend in future years within the Investment Strategy approved by Full Council in February 2019.

**Table 1- Current Capital Estimates**

	<b>2018/19 £M</b>	<b>2019/20 £M</b>	<b>2020/21 to 2023/24 £M</b>
<b>Original Estimates approved by Full Council February 2018</b>	<b>12.511</b>	<b>1.828</b>	<b>2.737</b>
<b>Changes approved by Cabinet in 2017/18 Capital Outturn report (reprogramming from 2017/18)</b>	5.644	0	0
<b>Revised Capital estimates at start of 2018/19</b>	<b>18.155</b>	<b>1.828</b>	<b>2.737</b>
<b>Changes at Q1</b>	-2.298	0.150	-1.490
<b>Changes at Q2</b>	-8.646	6.387	1.000
<b>Capital Programme 2019 – 2024 estimates approved by Full Council February 2019</b>	0	-0.152	0.843
<b>Changes at Q3 detailed in this report</b>	-0.475	0.466	0
<b>Current Capital Estimates</b>	<b>6.736</b>	<b>8.679</b>	<b>3.09</b>

- 8.3 Table 2 itemises and explains the more significant changes (+/- £25k) to the 2018/19 Capital Programme and the impact in subsequent years:

**Table 2: Scheme Timetable Revision:**

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

<b>Scheme</b>	<b>2018/19 Working Budget £'000</b>	<b>2018/19 Forecast Spend £'000</b>	<b>Difference £'000</b>	<b>Reason for Difference</b>	<b>Estimated impact on 2019/20 onwards £'000</b>
Baldock Town Hall Project	9	45	+36	As unplanned emergency asbestos works were required, other improvement works have been brought forward to coincide with these works.	-36
Channel shift - processing of housing register applications	40	0	-40	Budget unspent in 2018/19 as a potential partnership with other local authorities did not materialise. As a result, the Council will proceed with its initial plans to upgrade the software, with spend now anticipated in 2019/20.	40
Cyber Attacks - Events Monitoring Software Solution	30	0	-30	Although there has been no requirement to invest in 2018/19, following a clean bill of health from a Cyber Audit by SIAS and the Annual PSN Accreditation, the capital allocation will be required in 2019/20 to ensure the Council has the capability to respond to potential cyber attacks.	30
Decommissioning of Play Areas	130	20	-110	3 playgrounds out of the 6 identified have been converted to green space. Remainder will take longer due to the surrounding trees and bushes.	110
Refurbishment and improvement of community facilities	379	327	-52	Enhancement works at North Herts Minority Ethnic Forum are now scheduled for summer 2019.	52
Renovate play area at District Park, Great Ashby	75	0	-75	Play equipment has been ordered. Delivery and installation will be in the next financial year.	75
Storage Facilities	50	0	-50	This project is on hold pending a review of storage requirements being carried out by the Council's Asset	50

Scheme	2018/19 Working Budget £'000	2018/19 Forecast Spend £'000	Difference £'000	Reason for Difference	Estimated impact on 2019/20 onwards £'000
				Management Group.	
Total Minor (under £25k) slippage on other projects			-145		145
<b>Total Revision to Budget Profile</b>			<b>-466</b>		<b>466</b>

8.4 There are also changes to the overall costs of schemes in 2018/19. These changes total a net decrease of £0.022million and are detailed in Table 3.

**Table 3: Changes to Capital Schemes Commencing in 2018/19:**

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

Scheme	2018/19 Working Budget £'000	2018/19 Forecast Spend £'000	Difference £'000	Comments
Decommissioning of Pavilions	120	40	-80	Costs of demolition were less than forecast.
Section 106 Projects	60	135	+75	To date, a total of £135k of S106 funds have been released for community schemes.
<b>Other minor changes to schemes</b>			<b>-17</b>	
<b>Total revision to scheme spend</b>			<b>-22</b>	

### Capital Programme 2018/19 Funding

8.5 Table 4 below shows how the Council will fund the 2018/19 capital programme.

**Table 4: Funding the Capital Programme:**

	<b>2018/19 Balance at start of year</b>	<b>2018/19 Forecast Additions</b>	<b>2018/19 Estimated Use of Funding</b>	<b>2018/19 Forecast Balance at end of year</b>
	<b>£M</b>	<b>£M</b>	<b>£M</b>	<b>£M</b>
Useable Capital Receipts	3.090	0.000	(0.327)	2.763
Set-aside Receipts	10.252		(5.639)	4.613
<i>S106 receipts</i>			(0.197)	
<i>Other third party grants and contributions</i>			(0.573)	
<b>Total</b>	<b>13.342</b>	<b>0.000</b>	<b>(6.736)</b>	<b>7.376</b>

- 8.6 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 specifically include "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 are dependent on the value of the scheme and on this basis over the duration of the programme it should be



anticipated that the total spend over the period (2018/19 to 2023/24) could be around £2.3million higher than the estimated £18.505million.

- 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. A cash balance of £1.0million currently earns the Authority approximately £10k per year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments as cash balances reduce. When the Capital Financing Requirement (CFR) reaches zero the Council will need to consider borrowing for further capital spend and will need to start charging a minimum revenue provision to the general fund for the cost of capital. The CFR at the 31 March 2018 was negative £10.3million.
- 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). Where considered appropriate, major capital projects have also been included as the Council's Top Risks (e.g. 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 2018/19 onwards.  
Appendix B, Capital Programme Detail including Funding 2018/19 onwards.

#### **16. CONTACT OFFICERS**

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#### **17. BACKGROUND PAPERS**

17.1 2018/19 Budget Estimates Book.

**By Council Priority**

Priority	2018/19 Working Budget £'000	2018/19 Revised Budget £'000	Movement £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Attractive & Thriving	737	695	-43	2,243	578	255	39	1,140
Prosper & Protect	1,225	1,336	111	4,588	0	0	0	0
Responsive & Efficient	5,249	4,705	-543	1,848	384	124	510	60
<b>Grand Total</b>	<b>7,211</b>	<b>6,736</b>	<b>-475</b>	<b>8,679</b>	<b>962</b>	<b>379</b>	<b>549</b>	<b>1,200</b>

**By Service Group**

Service Group	2018/19 Working Budget £'000	2018/19 Revised Budget £'000	Movement £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Advances & Cash Incentives	0	0	0	1,096	0	0	0	0
Asset Management	662	596	-66	2,821	255	255	0	0
CCTV	0	0	0	0	0	0	0	0
Community Services	448	507	59	753	120	0	0	0
Computer Software and Equipment	277	149	-127	829	119	64	450	0
Corporate Items	11	0	-11	11	0	0	0	0
Growth Fund Projects	0	0	0	713	0	0	0	0
Leisure Facilities	1,040	747	-293	1,156	408	0	39	1,140
Museum & Arts	656	656	0	120	0	0	0	0
Parking	27	0	-27	1,120	0	0	0	0
Renovation & Reinstatement Grant Expenditure	360	350	-10	60	60	60	60	60
Waste Collection	3,732	3,732	0	0	0	0	0	0
<b>Grand Total</b>	<b>7,211</b>	<b>6,736</b>	<b>-475</b>	<b>8,679</b>	<b>962</b>	<b>379</b>	<b>549</b>	<b>1,200</b>

**Capital Funding Source**

Funding Source	2018/19 Working Budget £'000	2018/19 Revised Budget £'000	Movement £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
Government Grant	300	300	0	763	0	0	0	0
Revenue Contribution / Borrowing	0	0	0	0	0	0	0	0
Other Capital Contributions	273	273	0	143	250	0	0	0
S106 Funding	146	197	51	492	37	0	0	0
Capital Receipt	572	327	-245	2,668	675	379	549	1,200
Drawdown of cash investments	5,920	5,639	-281	4,613	0	0	0	0
<b>Grand Total</b>	<b>7,211</b>	<b>6,736</b>	<b>-475</b>	<b>8,679</b>	<b>962</b>	<b>379</b>	<b>549</b>	<b>1,200</b>

**Capital Receipt Analysis**

	2018/19 Working Budget £'000	2018/19 Revised Funding £'000		2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
B/fwd Capital Receipt Funding	-3,090	-3,090		-2,763	-5,046	-7,371	-9,242	-8,693
Add: Capital Receipts Received in Year	0	0	0	-4,950	-3,000	-2,250	0	0
Less: Capital Receipts Used in Year	572	327	-245	2,668	675	379	549	1,200
<b>C/Fwd Capital Receipt Funding</b>	<b>-2,518</b>	<b>-2,763</b>	<b>-245</b>	<b>-5,046</b>	<b>-7,371</b>	<b>-9,242</b>	<b>-8,693</b>	<b>-7,493</b>

**Cash Investments Analysis (set-aside receipts funding)**

	2018/19 Working Budget £'000	2018/19 Revised Funding £'000		2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000	2022/23 Estimate £'000	2023/24 Estimate £'000
B/fwd Cash Investments	-10,252	-10,252		-4,613	0	0	0	0
Drawdown of cash investments	5,920	5,639	-281	4,613	0	0	0	0
<b>C/Fwd Cash Investments</b>	<b>-4,332</b>	<b>-4,613</b>	<b>-281</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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Project / Funding Source	2018/19 Working Budget £	2018/19 Revised Budget £	Movement £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £	2022/23 Funding £	2023/24 Funding £
<b>40 KVA UPS Device or Battery Replacement</b>								
Capital Receipt	0	0	0	7,000	0	0	0	0
<b>40 KVA UPS Device or Battery Replacement Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Additional PC's - Support Home Working/OAP</b>								
Capital Receipt	0	0	0	13,000	0	0	0	0
<b>Additional PC's - Support Home Working/OAP Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Additional Storage</b>								
Capital Receipt	0	0	0	13,000	0	0	0	0
Drawdown of cash investments	12,000	0	-12,000	12,000	0	0	0	0
<b>Additional Storage Total</b>	<b>12,000</b>	<b>0</b>	<b>-12,000</b>	<b>25,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Alternative to safeword tokens for staff/members working remotely</b>								
Capital Receipt	0	0	0	8,000	0	0	0	0
<b>Alternative to safeword tokens for staff/members working remotely Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Back-up Diesel 40 KVA Generator (DCO)</b>								
Capital Receipt	0	0	0	20,000	0	0	0	0
<b>Back-up Diesel 40 KVA Generator (DCO) Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Baldock Town Hall project</b>								
Drawdown of cash investments	9,000	45,000	36,000	29,500	0	0	0	0
S106 Funding	0	0	0	800	0	0	0	0
<b>Baldock Town Hall project Total</b>	<b>9,000</b>	<b>45,000</b>	<b>36,000</b>	<b>30,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Bancroft Gardens Play Area</b>								
Capital Receipt	2,200	0	-2,200	0	0	0	0	0
S106 Funding	3,400	3,100	-300	0	0	0	0	0
<b>Bancroft Gardens Play Area Total</b>	<b>5,600</b>	<b>3,100</b>	<b>-2,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)</b>								
Capital Receipt	0	0	0	44,100	0	0	0	0
Other Capital Contributions	0	0	0	60,000	0	0	0	0
S106 Funding	0	0	0	65,900	0	0	0	0
<b>Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA) Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>170,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cabinet Switches - 4 Floors</b>								
Capital Receipt	0	0	0	0	0	18,000	0	0
<b>Cabinet Switches - 4 Floors Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,000</b>	<b>0</b>	<b>0</b>
<b>Cadcorp Local Knowledge &amp; Notice Board Software</b>								
Capital Receipt	13,500	13,500	0	0	0	0	0	0
<b>Cadcorp Local Knowledge &amp; Notice Board Software Total</b>	<b>13,500</b>	<b>13,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Channel shift - processing of housing register applications</b>								
Drawdown of cash investments	40,000	0	-40,000	40,000	0	0	0	0
<b>Channel shift - processing of housing register applications Total</b>	<b>40,000</b>	<b>0</b>	<b>-40,000</b>	<b>40,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Construction of pathway and roadway, Wilbury Hills Cemetery, Letchworth</b>								
Drawdown of cash investments	35,000	35,000	0	0	0	0	0	0
<b>Construction of pathway and roadway, Wilbury Hills Cemetery, Letchworth Total</b>	<b>35,000</b>	<b>35,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Core Backbone Switches</b>								
Capital Receipt	0	0	0	20,000	0	0	0	0
<b>Core Backbone Switches Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Council property improvements following condition surveys</b>								
Capital Receipt	25,000	21,000	-4,000	259,000	255,000	255,000	0	0
Drawdown of cash investments	75,000	63,000	-12,000	12,000	0	0	0	0
<b>Council property improvements following condition surveys Total</b>	<b>100,000</b>	<b>84,000</b>	<b>-16,000</b>	<b>271,000</b>	<b>255,000</b>	<b>255,000</b>	<b>0</b>	<b>0</b>
<b>Customer Self Serve Module</b>								
Capital Receipt	3,000	0	-3,000	3,000	0	0	0	0
<b>Customer Self Serve Module Total</b>	<b>3,000</b>	<b>0</b>	<b>-3,000</b>	<b>3,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cyber Attacks - Events Monitoring Software Solution</b>								
Capital Receipt	30,000	0	-30,000	30,000	0	0	0	0
<b>Cyber Attacks - Events Monitoring Software Solution Total</b>	<b>30,000</b>	<b>0</b>	<b>-30,000</b>	<b>30,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cycle Strategy implementation (GAF)</b>								
Government Grant	0	0	0	278,000	0	0	0	0
<b>Cycle Strategy implementation (GAF) Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>278,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Decommissioning of Pavilions</b>								
Capital Receipt	120,000	40,000	-80,000	0	0	0	0	0
<b>Decommissioning of Pavilions Total</b>	<b>120,000</b>	<b>40,000</b>	<b>-80,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Decommissioning of Play Areas</b>								
Capital Receipt	130,000	20,000	-110,000	110,000	0	0	0	0
<b>Decommissioning of Play Areas Total</b>	<b>130,000</b>	<b>20,000</b>	<b>-110,000</b>	<b>110,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Dell Servers</b>								
Capital Receipt	0	0	0	65,000	0	0	0	0
<b>Dell Servers Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Disaster Recovery Set Up</b>								
Capital Receipt	0	0	0	25,000	0	0	0	0
Drawdown of cash investments	47,400	25,000	-22,400	22,400	0	0	0	0
<b>Disaster Recovery Set Up Total</b>	<b>47,400</b>	<b>25,000</b>	<b>-22,400</b>	<b>47,400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract</b>								
Capital Receipt	0	0	0	0	39,000	0	0	0
<b>Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Email Encryption Software Solution</b>								
Capital Receipt	0	0	0	0	45,000	0	0	0
<b>Email Encryption Software Solution Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Energy efficiency measures</b>								
Drawdown of cash investments	8,500	8,500	0	0	0	0	0	0
<b>Energy efficiency measures Total</b>	<b>8,500</b>	<b>8,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Food Waste Caddies</b>								
Drawdown of cash investments	132,000	132,000	0	0	0	0	0	0
<b>Food Waste Caddies Total</b>	<b>132,000</b>	<b>132,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Green Infrastructure implementation (GAF)</b>								
Government Grant	0	0	0	185,000	0	0	0	0
<b>Green Infrastructure implementation (GAF) Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>185,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Hitchin &amp; Letchworth Outdoor Pool Automatic Chemical Dosing Pumps</b>								
Capital Receipt	0	0	0	20,000	0	0	0	0
<b>Hitchin &amp; Letchworth Outdoor Pool Automatic Chemical Dosing Pumps Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Hitchin &amp; Royston Fitness Equipment</b>								
Other Capital Contributions	26,700	26,700	0	0	0	0	0	0
<b>Hitchin &amp; Royston Fitness Equipment Total</b>	<b>26,700</b>	<b>26,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Hitchin Outdoor Pool Showers and Toilets</b>								
Drawdown of cash investments	47,900	47,900	0	0	0	0	0	0
S106 Funding	53,300	53,300	0	0	0	0	0	0
<b>Hitchin Outdoor Pool Showers and Toilets Total</b>	<b>101,200</b>	<b>101,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Hitchin Swimming Centre Lift</b>								
Drawdown of cash investments	84,300	84,300	0	0	0	0	0	0
<b>Hitchin Swimming Centre Lift Total</b>	<b>84,300</b>	<b>84,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Hitchin Swimming Pool Car Park extension</b>								
Capital Receipt	0	0	0	497,700	0	0	0	0
<b>Hitchin Swimming Pool Car Park extension Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>497,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Project / Funding Source	2018/19 Working Budget £	2018/19 Revised Budget £	Movement £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £	2022/23 Funding £	2023/24 Funding £
<b>Hitchin Town Hall Acoustic Panelling</b>								
Capital Receipt	0	0	0	30,000	0	0	0	0
<b>Hitchin Town Hall Acoustic Panelling Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Hitchin Town Hall Additional Bar Facility</b>								
Capital Receipt	0	0	0	15,000	0	0	0	0
<b>Hitchin Town Hall Additional Bar Facility Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Hitchin Town Hall Sprung Floor Replacement</b>								
Capital Receipt	0	0	0	75,000	0	0	0	0
<b>Hitchin Town Hall Sprung Floor Replacement Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Installation of trial on-street charging (GAF)</b>								
Government Grant	0	0	0	50,000	0	0	0	0
<b>Installation of trial on-street charging (GAF) Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>John Barker Place, Hitchin</b>								
Drawdown of cash investments	0	0	0	825,600	0	0	0	0
S106 Funding	0	0	0	270,400	0	0	0	0
<b>John Barker Place, Hitchin Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,096,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Lairage Multi Storey Safety and Equalities Act improvements</b>								
Drawdown of cash investments	0	0	0	39,300	0	0	0	0
<b>Lairage Multi Storey Safety and Equalities Act improvements Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>39,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Lairage Multi-Storey Car Park - Structural wall repairs</b>								
Capital Receipt	0	0	0	120,000	0	0	0	0
Drawdown of cash investments	4,000	0	-4,000	4,000	0	0	0	0
<b>Lairage Multi-Storey Car Park - Structural wall repairs Total</b>	<b>4,000</b>	<b>0</b>	<b>-4,000</b>	<b>124,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Laptops - Refresh Programme</b>								
Capital Receipt	6,000	6,000	0	0	6,000	0	0	0
<b>Laptops - Refresh Programme Total</b>	<b>6,000</b>	<b>6,000</b>	<b>0</b>	<b>0</b>	<b>6,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Leisure Condition Survey Enhancements</b>								
Capital Receipt	0	0	0	64,000	23,000	0	39,000	140,000
<b>Leisure Condition Survey Enhancements Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>64,000</b>	<b>23,000</b>	<b>0</b>	<b>39,000</b>	<b>140,000</b>
<b>Letchworth Multi storey Car Park - parapet walls, soffit &amp; decoration</b>								
Capital Receipt	0	0	0	137,600	0	0	0	0
<b>Letchworth Multi storey Car Park - parapet walls, soffit &amp; decoration Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>137,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Letchworth multi-storey car park - lighting</b>								
Drawdown of cash investments	22,700	0	-22,700	22,700	0	0	0	0
<b>Letchworth multi-storey car park - lighting Total</b>	<b>22,700</b>	<b>0</b>	<b>-22,700</b>	<b>22,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Letchworth Outdoor Pool safety surface</b>								
Capital Receipt	56,500	56,500	0	0	0	0	0	0
<b>Letchworth Outdoor Pool safety surface Total</b>	<b>56,500</b>	<b>56,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Letchworth Outdoor Pool Showers and Toilets</b>								
Drawdown of cash investments	97,000	97,000	0	0	0	0	0	0
<b>Letchworth Outdoor Pool Showers and Toilets Total</b>	<b>97,000</b>	<b>97,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Mandatory Disabled Facility Grants</b>								
Government Grant	300,000	300,000	0	0	0	0	0	0
<b>Mandatory Disabled Facility Grants Total</b>	<b>300,000</b>	<b>300,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Microsoft Enterprise Agreement</b>								
Capital Receipt	0	0	0	358,000	0	0	450,000	0
<b>Microsoft Enterprise Agreement Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>358,000</b>	<b>0</b>	<b>0</b>	<b>450,000</b>	<b>0</b>
<b>Museum / Town Hall Lift</b>								
Drawdown of cash investments	26,000	26,000	0	0	0	0	0	0
<b>Museum / Town Hall Lift Total</b>	<b>26,000</b>	<b>26,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>New Blade Enclosure</b>								
Capital Receipt	0	0	0	32,000	0	0	0	0
<b>New Blade Enclosure Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>New changing rooms, Walsworth Common, Hitchin</b>								
Capital Receipt	0	0	0	0	13,000	0	0	0
Other Capital Contributions	0	0	0	0	250,000	0	0	0
S106 Funding	0	0	0	0	37,000	0	0	0
<b>New changing rooms, Walsworth Common, Hitchin Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>300,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NH Museum &amp; Community Facility</b>								
Drawdown of cash investments	4,900	4,900	0	0	0	0	0	0
Other Capital Contributions	75,000	75,000	0	0	0	0	0	0
<b>NH Museum &amp; Community Facility Total</b>	<b>79,900</b>	<b>79,900</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>North Herts Leisure Centre Development</b>								
Capital Receipt	0	0	0	0	0	0	0	0
Other Capital Contributions	171,700	171,700	0	0	0	0	0	0
<b>North Herts Leisure Centre Development Total</b>	<b>171,700</b>	<b>171,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Norton Common Wheeled Sports improvements</b>								
S106 Funding	26,900	3,000	-23,900	23,900	0	0	0	0
<b>Norton Common Wheeled Sports improvements Total</b>	<b>26,900</b>	<b>3,000</b>	<b>-23,900</b>	<b>23,900</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Off Street Car Parks resurfacing and enhancement</b>								
Capital Receipt	0	0	0	91,200	0	0	0	0
<b>Off Street Car Parks resurfacing and enhancement Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>91,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>PC Refresh Programme</b>								
Capital Receipt	14,000	14,000	0	17,000	17,000	17,000	0	0
<b>PC Refresh Programme Total</b>	<b>14,000</b>	<b>14,000</b>	<b>0</b>	<b>17,000</b>	<b>17,000</b>	<b>17,000</b>	<b>0</b>	<b>0</b>
<b>Private Sector Grants</b>								
Capital Receipt	0	0	0	60,000	60,000	60,000	60,000	60,000
Drawdown of cash investments	60,000	50,000	-10,000	0	0	0	0	0
Government Grant	0	0	0	0	0	0	0	0
<b>Private Sector Grants Total</b>	<b>60,000</b>	<b>50,000</b>	<b>-10,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>	<b>60,000</b>
<b>Provide housing at market rents</b>								
Capital Receipt	0	0	0	0	0	0	0	0
Drawdown of cash investments	500,000	500,000	0	2,500,000	0	0	0	0
<b>Provide housing at market rents Total</b>	<b>500,000</b>	<b>500,000</b>	<b>0</b>	<b>2,500,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Purchase of 14 &amp; 15 Brand Street</b>								
Drawdown of cash investments	550,000	550,000	0	0	0	0	0	0
<b>Purchase of 14 &amp; 15 Brand Street Total</b>	<b>550,000</b>	<b>550,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Project / Funding Source	2018/19 Working Budget £	2018/19 Revised Budget £	Movement £	2019/20 Funding £	2020/21 Funding £	2021/22 Funding £	2022/23 Funding £	2023/24 Funding £
<b>Recording of Council Meetings</b>								
Capital Receipt	80,800	80,800	0	0	0	0	0	0
<b>Recording of Council Meetings Total</b>	<b>80,800</b>	<b>80,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Refurbishment and improvement of community facilities</b>								
Capital Receipt	0	0	0	0	120,000	0	0	0
Drawdown of cash investments	378,500	326,500	-52,000	594,100	0	0	0	0
<b>Refurbishment and improvement of community facilities Total</b>	<b>378,500</b>	<b>326,500</b>	<b>-52,000</b>	<b>594,100</b>	<b>120,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Refurbishment of lifts at Lairage Car Park</b>								
Drawdown of cash investments	0	0	0	360,000	0	0	0	0
<b>Refurbishment of lifts at Lairage Car Park Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>360,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Relay concrete slabs that surround the Hitchin outdoor pool</b>								
Capital Receipt	1,500	1,500	0	0	0	0	0	0
<b>Relay concrete slabs that surround the Hitchin outdoor pool Total</b>	<b>1,500</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Renew pathways at Bancroft Recreation Ground, Hitchin</b>								
Capital Receipt	23,100	23,100	0	0	0	0	0	0
<b>Renew pathways at Bancroft Recreation Ground, Hitchin Total</b>	<b>23,100</b>	<b>23,100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Renovate play area Howard Park, Letchworth</b>								
Capital Receipt	0	0	0	0	75,000	0	0	0
<b>Renovate play area Howard Park, Letchworth Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Renovate play area King George V Recreation Ground, Hitchin</b>								
Capital Receipt	0	0	0	75,000	0	0	0	0
<b>Renovate play area King George V Recreation Ground, Hitchin Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Renovate play area, District Park, Gt. Ashby</b>								
Drawdown of cash investments	75,000	0	-75,000	75,000	0	0	0	0
<b>Renovate play area, District Park, Gt. Ashby Total</b>	<b>75,000</b>	<b>0</b>	<b>-75,000</b>	<b>75,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Replace and enhance lighting at St Mary's Car Park</b>								
Capital Receipt	0	0	0	60,000	0	0	0	0
Drawdown of cash investments	0	0	0	0	0	0	0	0
<b>Replace and enhance lighting at St Mary's Car Park Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Replace items of play equipment Holroyd Cres, Baldock</b>								
Capital Receipt	0	0	0	0	10,000	0	0	0
<b>Replace items of play equipment Holroyd Cres, Baldock Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Replace items of play equipment Wilbury Recreation Ground, Letchworth</b>								
Capital Receipt	0	0	0	10,000	0	0	0	0
<b>Replace items of play equipment Wilbury Recreation Ground, Letchworth Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Replace items of play equipment, Chiltern Road, Baldock</b>								
Capital Receipt	10,000	0	-10,000	10,000	0	0	0	0
<b>Replace items of play equipment, Chiltern Road, Baldock Total</b>	<b>10,000</b>	<b>0</b>	<b>-10,000</b>	<b>10,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Replacement of Walsworth Common Access Bridge</b>								
Drawdown of cash investments	3,000	3,000	0	0	0	0	0	0
<b>Replacement of Walsworth Common Access Bridge Total</b>	<b>3,000</b>	<b>3,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Replacement SAN</b>								
Capital Receipt	0	0	0	110,000	0	0	0	0
<b>Replacement SAN Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>110,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Royston Leisure Centre extension</b>								
Capital Receipt	0	0	0	0	0	0	0	1,000,000
<b>Royston Leisure Centre extension Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,000,000</b>
<b>S106 Projects</b>								
S106 Funding	60,000	135,000	75,000	128,800	0	0	0	0
<b>S106 Projects Total</b>	<b>60,000</b>	<b>135,000</b>	<b>75,000</b>	<b>128,800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Security - Firewalls</b>								
Capital Receipt	0	0	0	0	0	14,000	0	0
Drawdown of cash investments	14,000	0	-14,000	14,000	0	0	0	0
<b>Security - Firewalls Total</b>	<b>14,000</b>	<b>0</b>	<b>-14,000</b>	<b>14,000</b>	<b>0</b>	<b>14,000</b>	<b>0</b>	<b>0</b>
<b>Software for personalised bills and annual billing</b>								
Capital Receipt	6,000	0	-6,000	6,000	0	0	0	0
<b>Software for personalised bills and annual billing Total</b>	<b>6,000</b>	<b>0</b>	<b>-6,000</b>	<b>6,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Storage Facilities</b>								
Drawdown of cash investments	50,000	0	-50,000	50,000	0	0	0	0
<b>Storage Facilities Total</b>	<b>50,000</b>	<b>0</b>	<b>-50,000</b>	<b>50,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Tablets - Android Devices</b>								
Capital Receipt	7,100	7,100	0	14,000	12,000	15,000	0	0
Drawdown of cash investments	2,900	2,900	0	0	0	0	0	0
<b>Tablets - Android Devices Total</b>	<b>10,000</b>	<b>10,000</b>	<b>0</b>	<b>14,000</b>	<b>12,000</b>	<b>15,000</b>	<b>0</b>	<b>0</b>
<b>Telephony system</b>								
Drawdown of cash investments	10,600	0	-10,600	10,600	0	0	0	0
<b>Telephony system Total</b>	<b>10,600</b>	<b>0</b>	<b>-10,600</b>	<b>10,600</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Town Centre pay &amp; display machines for on-street charging</b>								
Capital Receipt	0	0	0	235,000	0	0	0	0
<b>Town Centre pay &amp; display machines for on-street charging Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>235,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Transport Plans implementation (GAF)</b>								
Government Grant	0	0	0	250,000	0	0	0	0
<b>Transport Plans implementation (GAF) Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>250,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Ultra Violet water disinfection system</b>								
Capital Receipt	42,900	42,900	0	0	0	0	0	0
<b>Ultra Violet water disinfection system Total</b>	<b>42,900</b>	<b>42,900</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Walsworth Common Pitch Improvements</b>								
Capital Receipt	0	0	0	15,000	0	0	0	0
Other Capital Contributions	0	0	0	83,000	0	0	0	0
S106 Funding	2,700	2,700	0	2,300	0	0	0	0
<b>Walsworth Common Pitch Improvements Total</b>	<b>2,700</b>	<b>2,700</b>	<b>0</b>	<b>100,300</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Walsworth Common Reconstruction of Car Park</b>								
Drawdown of cash investments	30,000	38,000	8,000	0	0	0	0	0
<b>Walsworth Common Reconstruction of Car Park Total</b>	<b>30,000</b>	<b>38,000</b>	<b>8,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Waste and Street Cleansing Vehicles</b>								
Drawdown of cash investments	3,600,000	3,600,000	0	0	0	0	0	0
<b>Waste and Street Cleansing Vehicles Total</b>	<b>3,600,000</b>	<b>3,600,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>7,211,000</b>	<b>6,735,900</b>	<b>-475,100</b>	<b>8,678,900</b>	<b>962,000</b>	<b>379,000</b>	<b>549,000</b>	<b>1,200,000</b>

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**CABINET**  
26 March 2019

**PUBLIC DOCUMENT**

**TITLE OF REPORT: TREASURY MANAGEMENT THIRD QUARTER 2018/19**

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

**1. EXECUTIVE SUMMARY**

- 1.1 To inform Cabinet of the Treasury Management activities in the third quarter of 2018/19 to the end of December. The current forecast is that the amount of investment interest expected to be generated during the year is £0.358 million. This is an increase of £0.038 million on the working budget.
- 1.2 To inform Cabinet of the performance against the Prudential and Treasury indicators detailed in the appendix to this report. During the third quarter the Council has operated within the treasury and prudential indicators as set out in the Treasury Management Strategy Statement and in compliance with the Council's approved Treasury Management Practices.

**2. RECOMMENDATIONS**

- 2.1 Cabinet is asked to note the position of Treasury Management activity as at the end of December 2018.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To ensure the Council's continued compliance with CIPFA's 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 The primary principle governing the Council's investment criteria is the security of its investments, which includes credit, liquidity and market risk (see section 8 below). After this the return (or yield) is then considered, which provides an income source for the Council. In relation to this the Council could take a different view on its appetite for risk, which would be reflected in the Treasury Strategy. In general, greater returns can be achieved by taking on greater risk. Once the Strategy has been set for the year, there is limited scope for alternative options as Officers will seek the best return that is in accordance with the Treasury Strategy.

#### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 There are quarterly updates with the Authority's Cash Manager, Tradition and regular meetings with Treasury advisors (Link).

#### **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 18 January 2019.

#### **7. BACKGROUND**

- 7.1 Members adopted the 2018/19 Treasury Strategy at the meeting of full Council on the 8 February 2018.
- 7.2 Link Asset Services Ltd were first contracted to provide Treasury advice for the financial year 2012/13 and this arrangement has been extended until 2018/19. The service includes:

- Regular updates on economic and political changes which may impact on the Council's borrowing and investment strategies
- Information on investment counterparty creditworthiness
- Technical updates
- Access to the Technical Advisory Group.

## 8. RELEVANT CONSIDERATIONS

- 8.1 Appendix A provides the Treasury Management update at the end of the third quarter.
- 8.2 In summary, during the third quarter the Council has operated within the treasury and prudential indicators as set out in the Treasury Management Strategy Statement and in compliance with the Treasury Management Practices.
- 8.3 The Council generated £0.254 million of interest during the first nine months of 2018/19. The average interest rate on all outstanding investments at the 31 December was 1.00%.
- 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** is the possibility that other parties fail to pay back amounts that have been invested by the Council. This risk is mitigated by assessing the counterparties with whom the Council invests. For banks and building societies that are credit rated by Fitch, they must have a rating of BBB or above. Where building societies do not have a credit rating, then the level of investment is assessed against the overall assets of the institution. Due to the different risks that they are exposed to, the Council splits its investments between banks and building societies and can have a maximum of 75% invested in each.
- 8.6 The Council also invests with other Local Authorities and Public Corporations (when appropriate opportunities are available) and in Money Market Funds. Money Market Funds are limited to 25% of total investments. A Money Market Fund is a regulated, stand-alone pooled investment vehicle which actively invests its assets in a diversified portfolio of mainly high grade, short-term money market instruments.
- 8.7 As at 31 December the split of investments was:

Banks	35%
Building Societies	38%
Local Authorities	20%
Money Market Funds	7%

- 8.8 **Liquidity Risk** is the possibility that the Authority may not have funds available to meet its commitments to make payments.

- 8.9 Cash flow forecasts are prepared to determine the level of funds required to meet the day to day commitments. The level of funds available for longer term investments at the 31 December was £22.0 million which is primarily determined by the level of expenditure on the Council's Capital programme.
- 8.10 **Market Risk** is the possibility that financial loss might arise as a result of changes in interest rates.
- 8.11 Investing long term (greater than one year) currently achieves higher interest rates than short term deals. The risk of long term deals are two fold:
- (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.
- 8.12 Members have indicated that they are prepared to accept the market risk within the limits expressed in the Treasury Strategy, which allows up to 40% of investments to be invested for longer than 364 days at any one time. At the end of the third quarter the Council had no investments for longer than 364 days. During the third quarter, two deals were placed for longer than one year totalling £2.0 million, but were less than a year by the end of the quarter.
- 8.13 The **return (or yield)** that the Council achieves is affected by both the level of risk as well as general market conditions. It continues to prove challenging to find acceptable counterparties willing to pay a reasonable return on cash investments, either long or short term. This issue is expected to continue during 2018/19 and beyond.
- 8.14 The Council had a negative **Capital Financing Requirement (CFR)** of £10.3 million (as at 31<sup>st</sup> March 2018), which means that it has a high level of cash investments. The CFR is expected to reduce to approximately £4.7 million by the end of the year if capital expenditure matches the current profile of spend. The Council currently only has historic borrowing which is not cost effective to repay early.

## 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 The amount of investment interest expected to be generated during the year is £0.358 million.

10.2 Potential options for inclusion in the Treasury Strategy are considered as and when identified. Any proposals to amend the Strategy are reported to Full Council, via Cabinet, for approval.

## **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.

## **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 Treasury Management Update December 2018.

## **16. CONTACT OFFICERS**

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## **17. BACKGROUND PAPERS**

Treasury Strategy 2018/19  
CIPFA Prudential Code for Capital Finance in Local Authorities

# Treasury Management Update

Quarter Ended 31 December 2018

This report is intended for the use and assistance of customers of Link Asset Services. It should not be regarded as a substitute for the exercise by the recipient of its own judgement. Link Asset Services exists to provide its clients with advice primarily on borrowing and investment. We are not legal experts and we have not obtained legal advice in giving our opinions and interpretations in this paper. Clients are advised to seek expert legal advice before taking action as a result of any advice given in this paper. Whilst Link Asset Services makes every effort to ensure that all information provided by it is accurate and complete, it does not guarantee the correctness or the due receipt of such information and will not be held responsible for any errors therein or omissions arising there from. Furthermore, Link Asset Services shall not be held liable in contract, tort or otherwise for any loss or damage (whether direct, or indirect or consequential) resulting from negligence, delay or failure on the part of Link Asset Services or its officers, employees or agents in procuring, presenting, communicating or otherwise providing information or advice whether sustained by Link Asset Services customer or any third party directly or indirectly making use of such information or advice, including but not limited to any loss or damage resulting as a consequence of inaccuracy or errors in such information or advice. All information supplied by Link Asset Services should only be used as a factor to assist in the making of a business decision and should not be used as a sole basis for any decision.

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# Treasury Management Update

## Quarter Ended 31 December 2018

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (annual, mid-year or quarterly reports). This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

## 1. Economic Background

**UK.** After weak **economic growth** of only 0.1% in quarter one, growth picked up to 0.4% in quarter 2 and to 0.6% in quarter 3. However, uncertainties over Brexit look likely to cause growth to have weakened again in quarter four. After the Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. In the event of a disorderly exit, the MPC have said that rates could go up or down, though it is probably much more likely to be down so as to support growth. Nevertheless, the MPC does have concerns over the trend in **wage inflation** which peaked at a new post financial crisis high of 3.3%, (excluding bonuses), in the three months to October. The main issue causing this is a lack of suitably skilled people due to the continuing increase in total employment and unemployment being near to 43 year lows. Correspondingly, the total level of vacancies has risen to new highs.

As for **CPI inflation** itself, this has been on a falling trend, reaching 2.3% in November. However, in the November Bank of England Inflation Report, the latest forecast for inflation over the two year time horizon was raised to being marginally above the MPC's target of 2%, indicating a slight build up in inflationary pressures.

The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in **household spending power** is likely to feed through into providing some support to the overall rate of economic growth in the coming months.

In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in 2019, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

**USA.** President Trump's massive easing of fiscal policy in 2018 fuelled a (temporary) boost in consumption in 2018 which generated an upturn in the strong rate of growth; this rose from 2.2%, (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5% in quarter 3. The strong growth in employment numbers has fed through to an upturn in wage inflation which hit 3.1% in November,

However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed increased rates another 0.25% in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the rate and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world plunging under the weight of fears around the Fed's actions, the trade war between the US and China, an expectation that world growth will slow, Brexit etc.

**EUROZONE.** Growth fell in quarter 3 to 0.2% from 0.4% in quarter 2 but this is likely to be a one off blip caused primarily by a one off fall in car production. The ECB forecast growth in 2018 to be 1.9% falling to 1.7% in 2020. The ECB ended its programme of quantitative easing purchases of debt in December, which now means that the central banks in the US, UK and EU have all now ended the phase of post financial crisis expansion of liquidity supporting world financial markets.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

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

## 2. Interest Rate Forecast

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View													
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

After the August increase in Bank Rate to 0.75%, the first above 0.5% since the financial crash, the MPC has since then put any further action on hold, probably until such time as the fog of Brexit clears and there is some degree of certainty of what the UK will be heading into. It is particularly unlikely that the MPC would increase Bank Rate in February 2019 ahead of the

deadline in March for Brexit, if no agreement on Brexit has been reached by then. ***The above forecast, and other comments in this report, are based on a central assumption that there is an agreement on a reasonable form of Brexit.*** In that case, then we think that the MPC could return to increasing Bank Rate in May 2019 but then hold fire again until February 2020. However, this is obviously based on making huge assumptions which could be confounded. In the event of a disorderly Brexit, then cuts in Bank Rate could well be the next move.

#### **The balance of risks to the UK**

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

## **3. Annual Investment Strategy**

The Treasury Management Strategy Statement (TMSS) for 2018/19, which includes the Annual Investment Strategy, was approved by the Council on 8<sup>th</sup> February 2018. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in higher rates in periods up to 24 months.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31 December 2018.

The average level of funds available for investment purposes during the quarter was **£38.8m**. The Council holds **£22.0m** core cash balances for investment purposes (i.e. funds available for more than one year). The investment portfolio yield for the third quarter of the year is 0.91%.

## Investments at 31st December 2018

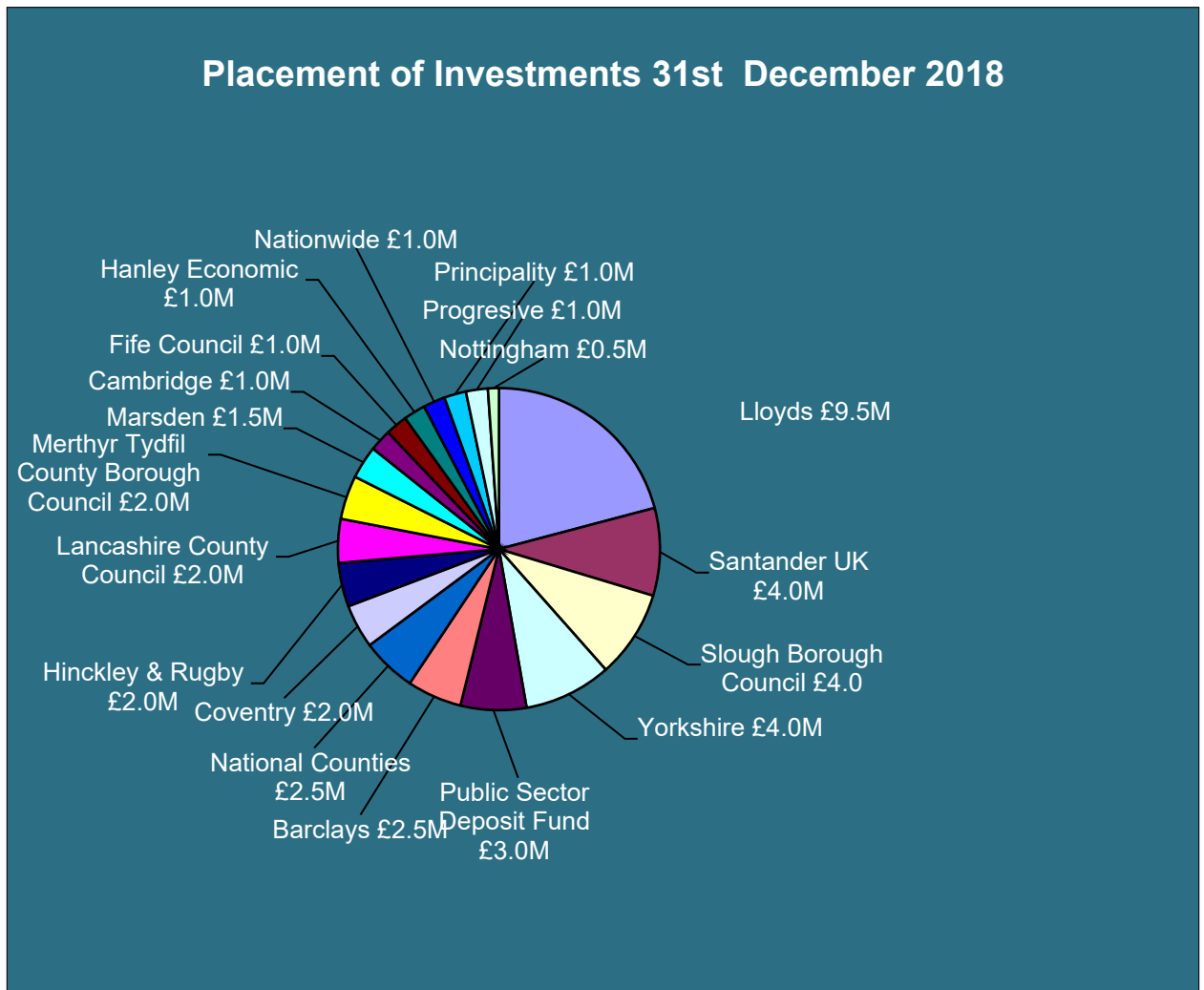
	Amount	Average
	£	Interest Rate %
<b>Managed By NHDC</b>		
Banks	16,000,000	0.89
Building Societies	7,500,000	0.74
Local Authorities	9,000,000	0.98
Money Market Fund	3,000,000	0.82
<b>NHDC To Total</b>	<b>35,500,000</b>	<b>0.88</b>
<b>Managed by Tradition</b>		
Building Societies	10,000,000	1.15
<b>Tradition Total</b>	<b>10,000,000</b>	<b>1.15</b>
<b>TOTAL</b>	<b>45,500,000</b>	<b>1.00</b>

In percentage terms, this equates to:

	Percentage
Money Market Funds	7
Local Authorities	20
Banks	35
Building Societies	38

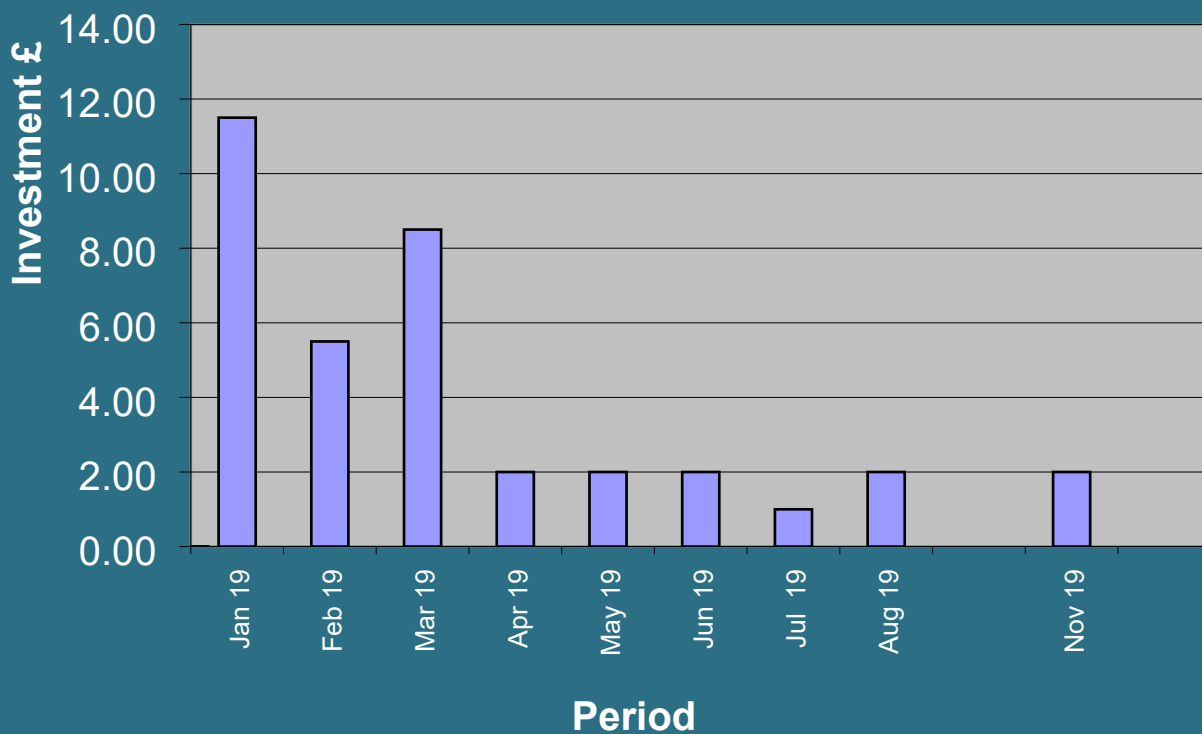
The approved 18/19 strategy is that no more than 75% of investments should be placed with Building Societies.

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



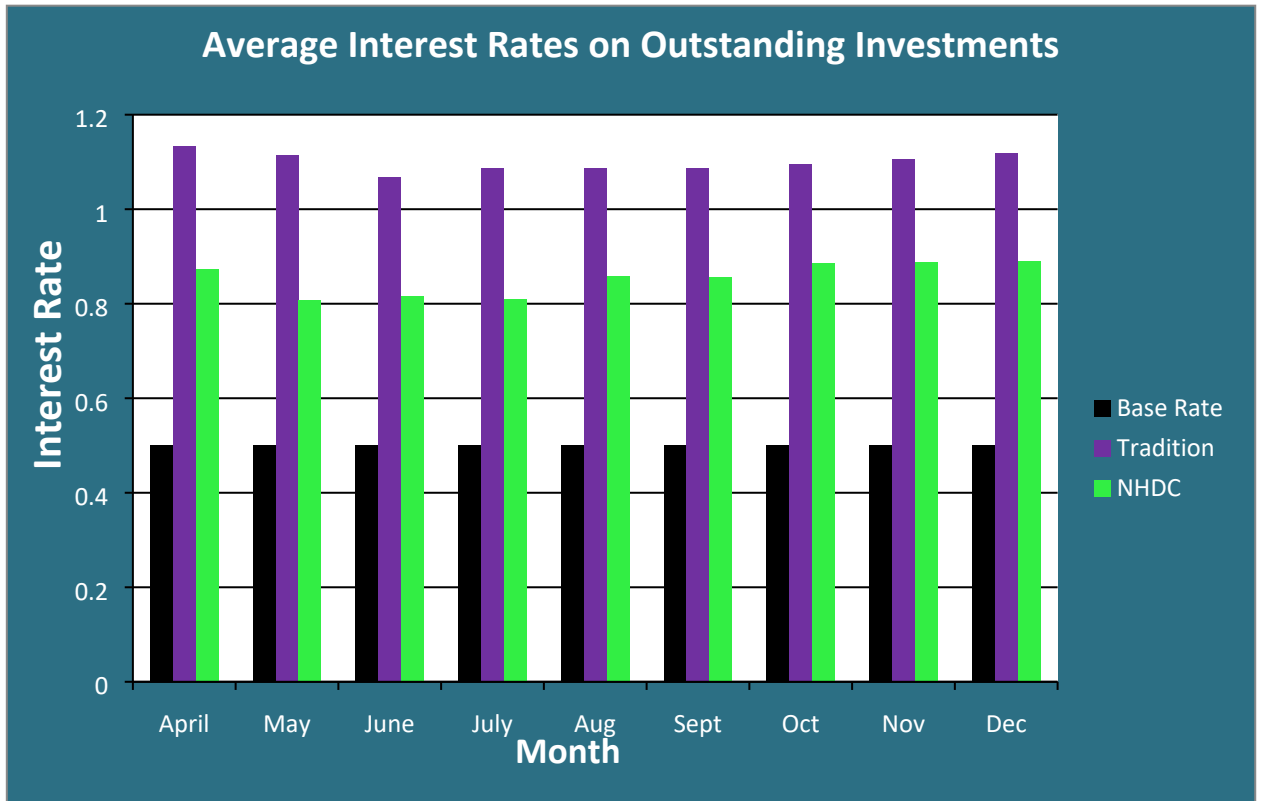
The chart below shows the Council's investment maturity profile. (This does not include the £3.0M held in the Public Sector Deposit Fund Money Market account or £6.0M held in the Lloyds current account which can be called back on any day).

## Investment Maturity 31st December 2018



The Council's Original budgeted investment return for 2018/19 was £0.167M. The projection at the second quarter was £0.320M. The projection at the third quarter is now £0.358M. The increase is mainly due to a higher level of balances which means investments can be made for longer periods and achieve a higher interest rate.

The graph below shows the average rate of interest on outstanding investments at 31st December.



The higher rates achieved through Tradition reflect that these are longer-term investments. In general, the Council can currently achieve similar rates for the same length of investment. The Council only undertakes new investments through Tradition where the rate achieved (after fees) are greater than what the Council could achieve for a similar investment.

The Service Director - Resources confirms that the approved limits within the Annual Investment Strategy were not breached during the third quarter of 2018/19.

## 4. New Borrowing

No borrowing was undertaken during the quarter.

The Council's capital financing requirement (CFR) for 2018/19 is expected to be -£4.7m (-£10.3m at the end of 17/18). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances (internal borrowing). The CFR is negative as the Council has more cash investments than borrowing. The balance of external and internal borrowing is generally driven by market conditions.

It is anticipated that long term borrowing will not be undertaken during this financial year.

Loans Outstanding at 31 December 2018

	Amount	Average Interest Rate
	£	%
Public Works Loans Board	£448k	9.65

## 5. Debt Rescheduling

No debt rescheduling was undertaken during the quarter.

## 6. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators, (affordability limits), are included in the approved TMSS.

During the quarter ended 31.12.18, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury Indicators are shown in Appendix 1.



# APPENDIX 1: Prudential and Treasury Indicators for 2018-19 as at 31 December 2018

Treasury Indicators	2018/19 Budget £'000	31.12.18 Actual £'000
<b>Authorised limit for external debt</b>	15,000	448
<b>Operational boundary for external debt</b>	5,000	448
<b>Gross external debt</b>	3,456	448

<b>Maturity structure of fixed rate borrowing - upper and lower limits</b>		
<b>Under 12 months</b>	16	16
<b>12 months to 2 years</b>	17	17
<b>2 years to 5 years</b>	56	56
<b>5 years to 10 years</b>	92	92
<b>10 years to 20 years</b>	25	25
<b>20 years to 30 years</b>	250	250

Prudential Indicators	2018/19 Budget £'000	31.12.18 Actual £'000
<b>Capital expenditure</b> The budget is the expected capital expenditure during the year. The actual total is spend to date. Only at the end of the year will actuals get close to the budget.	7,211	994
<b>Capital Financing Requirement (CFR)</b> The total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The year end position reflects the budgeted capital spend during the year. A negative total means that there is no borrowing requirement.	(0.010)	(9.734)
<b>In year borrowing requirement</b>	0	0
<b>Ratio of financing costs to net revenue stream</b> Net expenditure/ (income) from borrowing and investments, as a % of the Council's net revenue. This is negative as the Council is currently receiving a net income from investments.	-0.73	-2.21

