

**NORTH HERTFORDSHIRE DISTRICT COUNCIL**



6 March 2020

Our Ref Finance, Audit and Risk Committee  
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To: Members of the Committee: Councillors Kate Aspinwall (Chair), Sam North (Vice-Chair), Steve Deakin-Davies, Morgan Derbyshire, Steve Jarvis, Kay Tart and Michael Weeks

Substitutes: Councillors Sam Collins, George Davies, Ian Moody and Adem Ruggiero-Cakir

**NOTICE IS HEREBY GIVEN OF A**

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

to be held in the

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

On

**MONDAY, 16TH MARCH, 2020 AT 7.30 PM**

Yours sincerely

Jeanette Thompson  
Service Director – Legal and Community

**\*\*MEMBERS PLEASE ENSURE THAT YOU DOWNLOAD ALL AGENDAS AND REPORTS VIA THE MOD.GOV APPLICATION ON YOUR TABLET BEFORE ATTENDING THE MEETING\*\***

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

<b>Item</b>	<b>Page</b>
<b>1. APOLOGIES FOR ABSENCE</b>	
<b>2. MINUTES - 20 JANUARY 2020</b> To take as read and approve as a true record the minutes of the meeting of the Committee held on the 20 January 2020.	(Pages 5 - 10)
<b>3. NOTIFICATION OF OTHER BUSINESS</b> Members should notify the Chair of other business which they wish to be discussed at the end of either Part I or Part II 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 Chair will decide whether any item(s) raised will be considered.	
<b>4. CHAIR'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 Chair 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, wishing 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, comments and questions from the public.	
<b>6. SIAS INTERNAL AUDIT PLAN REPORT</b> To receive and approve the proposed Internal Audit Plan 2020/21.	(Pages 11 - 28)
<b>7. SIAS PROGRESS REPORT</b> To receive and note the Shared Internal Audit Service (SIAS) Progress Report.	(Pages 29 - 48)
<b>8. SAFS - PROPOSED ANTI-FRAUD PLAN 2020/21 AND PROGRESS WITH DELIVERY OF 2019/20 ANTI-FRAUD PLAN</b> To review and approve the Shared Anti-Fraud Service (SAFS) Anti-Fraud Plan 2020/21.	(Pages 49 - 90)

9. **LOCAL CODE OF CORPORATE GOVERNANCE 2020 AND ANNUAL GOVERNANCE STATEMENT 2018/19 (ACTION PLAN FOR 2019/20) UPDATE** (Pages 91 - 110)  
 THE POLICY & COMMUNITY ENGAGEMENT MANAGER
- To receive the Local Code Of Governance and progress against the Annual Governance Statement Action plan for 2019-20.
10. **RISK AND OPPORTUNITIES MANAGEMENT UPDATE** (Pages 111 - 150)  
 REPORT OF THE SERVICE DIRECTOR - RESOURCES
- To receive a third quarter update on the Risk and Opportunities Management at North Hertfordshire District Council.
11. **THIRD QUARTER REVENUE MONITORING 2019/20** (Pages 151 - 162)  
 REPORT OF THE SERVICE DIRECTOR - RESOURCES
- To consider the Third Quarter Revenue Budget Monitoring Report for 2019/20.
12. **THIRD QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2019/20** (Pages 163 - 192)  
 REPORT OF THE SERVICE DIRECTOR – RESOURCES
- To update the Committee on progress with delivering the Capital and Treasury Strategy for 2019/20 as at the end of December 2019.
13. **POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**  
 The Chair to lead a discussion regarding possible agenda items for future meetings.

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## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES, GERON ROAD,  
LETCWORTH GARDEN CITY  
ON MONDAY, 20TH JANUARY, 2020 AT 7.30 PM

#### MINUTES

**Present:** *Councillors: Kate Aspinwall (Chair), Councillor Sam North (Vice-Chair), Morgan Derbyshire, Steve Jarvis and Michael Weeks*

**In Attendance:** *Ian Couper (Service Director - Resources), Suresh Patel (Ernst and Young) and Matthew Hepburn (Committee, Member and Scrutiny Officer)*

**Also Present:** *At the commencement of the meeting Councillor Ian Albert*

#### 54 APOLOGIES FOR ABSENCE

*Audio recording – 10 Seconds*

No apologies for absence were received.

#### 55 MINUTES - 5 DECEMBER 2019

*Audio Recording – 37 Seconds*

**RESOLVED:** That the Minutes of the Meeting of the Committee held on 5 December 2019 be approved as a true record of the proceedings and be signed by the Chair.

#### 56 NOTIFICATION OF OTHER BUSINESS

*Audio recording – 1 Minute*

There was no other business notified.

#### 57 CHAIR'S ANNOUNCEMENTS

*Audio recording – 1 Minute 5 Seconds*

- (1) The Chair welcomed those present at the meeting;
- (2) The Chair advised that, in accordance with Council Policy, the meeting would be audio recorded;
- (3) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.

**58 PUBLIC PARTICIPATION**

*Audio recording – 1 Minute 30 Seconds*

There was no public participation.

**59 EXTERNAL AUDIT PLAN FOR YEAR ENDING 31/3/20**

*Audio Recording – 1 Minute 40 Seconds*

Ernst and Young presented the External Audit Plan for Year Ending 31/3/20 and advised the following:

- The basis of the audit, as explained on page 14 within the report;
- Questions and objections could be received from members of the public. However, as of that committee, none had been received;
- The main audit risk and main audit focus was summarised on page 17 within the report;
- Page 17 within the report also detailed a value for money conclusion;
- There was a new area of focus which was preparation for the implementation of IFRS 16 (leases);
- Page 25 within the report stated that the new property acquisition and development strategy and associated investment strategy was a significant value for money risk;
- That risk would incur an additional audit fee as it was considered a significant risk;
- Materiality for the financial statement of the council was £1.32 million;
- The performance materiality had been set at £0.99;
- All uncorrected misstatements relating to the primary statements greater than £0.066 million would be reported; and
- The Audit Timetable was detailed on page 35 within the report.

Mr Suresh Patel, Ernst and Young, advised that the end of July was not a suitable time to carry out an audit. Therefore, discussions with the Service Director – Resources would take place in order to decide on a more deliverable and viable timetable.

The Following Members asked questions:

- Councillor Michael Weeks;
- Councillor Steve Jarvis; and
- Councillor Kate Aspinwall.

Mr Patel responded accordingly to Members' questions.

**RESOLVED:** That the External Audit Plan for Year Ending 31/3/20 be noted.

**REASON FOR DECISION:** To communicate to Members the key issues arising from Ernst and Young's External Audit Plan for Year Ending 31/3/20.

## 60 REVENUE BUDGET REPORT 2020/21

*Audio recording – 21 minutes 37 seconds*

The Service Director – Resources presented the report entitled Revenue Budget Report 2020/21 together with the following appendices:

- Appendix A - Financial Risks;
- Appendix B - Revenue Budget Savings;
- Appendix C - Budget Summary 2020-24.

The Service Director Resources drew attention to the following:

- This version of the budget would be referred to Cabinet and, subject to any amendments, be referred to Council in February 2020;
- Council would then use this to set a budget for next year and, as a result would set the Council Tax for the District Council for that year;
- Section 8.1 detailed the General Funding;
- Table 1 set out the forecast over a number of years, although there were a number of uncertainties;
- Table 2 detailed the grant funding currently being received;
- Section 8.2 set out the Business Rates and Council Tax Collections Fund;
- Section 8.4 was a review of balances and reserves;
- Image 5 showed indicators of financial stress;
- Section 8.6 set out expenditure forecasts;
- The amount expected from recycling of paper collected from residents was significantly lower than the current contract due to market forces;
- Approximately £1.2 million savings would be required;
- Section 8.7 set out revenue effects on capital;
- The Property Acquisition Strategy would require significant investment and therefore some borrowing, but this had not been factored into the budget either for expenditure, interest or potential income;
- Section 8.8 set out reliability of estimates.
- There was a need to increase Council Tax in order to cover estimated expenditure in this and future years.

The following Members asked questions and took part in the debate:

- Councillor Michael Weeks;
- Councillor Steve Jarvis;
- Councillor Sam North.

The Service Director – Resources advised:

- It was prudent to make provision for any purchases that the Council may make;
- It was better to prepare for potentially difficult circumstances;
- Balances could be used to balance the budget over a short term.

Members agreed that the details in Paragraph 8.9, in particular the amount of savings required (£1.2million) be emphasised to Cabinet

**RECOMMENDED TO CABINET:**

- (1) That Cabinet's attention be drawn to Paragraph 8.9 of the report and that the amount of savings required (1.2 million) be emphasised;
- (2) That the decrease in the 2019/20 working budget of £200k, as detailed in table 6, be approved; and
- (3) That the carry-forward of £88k of budget in to 2020/21, as detailed in table 6, be approved.

That Cabinet recommend to Council:

- (1) That the transfer from reserves to the General Fund as detailed in 8.4.3 to 8.4.4 be approved;
- (2) That the forecast savings target for future years and the approach to balancing the budget, as detailed in paragraph 8.9.4, be noted;
- (3) That the Collection Fund and how it will be funded be noted;
- (4) That the position relating to the General Fund and that due to the risks identified a minimum balance of £2.45 million is recommended, be noted;
- (5) That the savings and investments as detailed in Appendix B be approved;
- (6) That a net expenditure of £14.974m, as detailed in Appendix C, be approved; and
- (7) That a Council Tax increase of £5 for 2020/21 for a band D property, with other increases pro-rata to this, be approved.

**REASONS FOR DECISIONS:**

- (1) To ensure that all the relevant factors are taken in to consideration when arriving at the proposed Council Tax precept for 2020/21; and
- (2) To ensure that Cabinet recommends a balanced budget to Full Council on 6 February 2020.

**61 INVESTMENT STRATEGY (INTEGRATED CAPITAL AND TREASURY)**

*Audio recording – 46 minutes 23 seconds*

The Service Director - Resources presented the report entitle Investment Strategy (Integrated Capital and Treasury together with the following appendices:

- Appendix A - Investment Strategy;
- Appendix A1 - A full list of planned capital expenditure (2020/21 onwards);
- Appendix A2 - A list of new capital schemes and schemes planned to commence from 2020/21.

The Service Director – Resources drew attention to the following:

- Paragraph 8.4 of the report set out details regarding an allocation of £20m that had been made that was aligned to the Property Acquisition and Development Strategy;



- Table 8 of the Strategy provided an assessment of expenditure that did not relate to service delivery;
- Paragraph 8.5 of the report set out that there would be a need to borrow to fund the Capital Programme and whether funds should be borrowed internally or externally;
- There was some uncertainty regarding capital receipts;
- Paragraph 8.6 of the report set out details of the Minimum Revenue Provision (MRP);
- Paragraph 8.8 of the report gave details of proposed changes to the Treasury Strategy;
- Paragraph 8.9 of the report detailed that, where returns are similar to or the same as non green alternatives, for the same level of risk, they will be prioritised;
- There were rigorous processes in place regarding treasury management.

The following Members asked questions and took part in the debate:

- Councillor Steve Jarvis;
- Councillor Sam North;
- Councillor Kate Aspinwall.

In response to question the Service Director - Resources advised:

- That, if the Council invested in property it would then have an asset;
- It would be imprudent to budget from income from acquisitions that had not yet made

***RECOMMENDED TO CABINET:***

That Cabinet recommend to Council:

- The adoption of the Investment Strategy (as attached at Appendix A), including the capital programme and prudential indicators; and
- The adoption of the four clauses in relation to the Code of Practice on Treasure Management (as detailed in paragraphs 8.11 to 8.16).

***REASONS FOR DECISIONS:***

- (1) To ensure that the capital programme meets the Council's objectives and officers can plan the implementation of the approved schemes; and
- (2) To ensure the Council's compliance with CIPFA's code of practice on Treasury Management, the Local Government Act 2003, statutory guidance from the Ministry of Housing, Communities and Local Government and the CIPFA Prudential Code. As well as determining and managing the Councils risk appetite in respect of investments.

## 62 FINANCIAL MANAGEMENT CODE

*Audio Recording – 1 Hour*

The Service Director – Resources presented the Financial Management Code to Members of the Committee and advised the following:

- The Financial Management Code ensured that there was a robust process in place for good financial management across the Council;
- The Code ensured there was a shared financial management responsibility across the Leadership team;
- The Committee would receive the Financial Management Code via email once it had been realised; and
- There were 17 standards contained within the code and those were detailed at Appendix A on page 143 within the report.

The following Members asked questions:

- Councillor Kate Aspinwall;
- Councillor Michael Weeks; and
- Councillor Steve Jarvis.

In response to questions raised, the Service Director – Resources responded as follows:

- The Financial Management Code was not due to go to Cabinet at present. It was the role of the Finance, Audit and Risk Committee to consider the code;
- In relation to clause E on page 145 within the report, owing to changes to accountancy rules, full recharges were no longer required; and
- He was comfortable that it was his personal and statutory responsibility for ensuring the statements of accounts produced by the local authority complied with the reporting requirements of the Code of Practice on Local Authority Accounting.

**RESOLVED:** That the Financial Management Code be noted.

**REASON FOR DECISION:** To demonstrate the extent to which the Council complies with the Code and areas where it plans to take further actions. This will support good governance and risk management.

## 63 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

*Audio recording – 1 Hour 9 Minutes*

The Chair requested that, should any Members have any suggestions for agenda items for future meetings, they advise himself, officers or the Committee Clerk.

The meeting closed at 8.40 pm

Chair



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

2020/21 Internal Audit Plan Report

16 March 2020

Recommendation

Members are recommended to approve the  
proposed North Herts District Council  
Internal Audit Plan for 2020/21

## 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 2020/21

### 3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

## Appendices

- A Proposed North Herts District Council Audit Plan 2020/21
- B Proposed North Herts District Council Audit Plan 2020/21– 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) 2020/21 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 Assurance annual report.
- 1.3 The Shared Internal Audit Service's (SIAS) Audit Charter which was presented to the June 2019 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 2020 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:

- a) Key committee reports at each client and identifies emerging risks and issues.
- b) The professional and national press, as well as thought leadership 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 2020/21 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 2020/21 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted.

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 leading edge audit approaches such as use of technology to achieve 'whole population testing' and new insights over sampling or 'continuous assurance' where appropriate.
  - Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

#### Internal Audit Plan 2020/21

- 2.7 The draft plan for 2020/21 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 2020/21 has reduced by 20 days, which for North Herts District Council equates to a reduction from 340 days (in 2019/20) to 320 days (in 2020/21).



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>2020/21 Days</b>	<b>%</b>	<b>2019/20 Days</b>	<b>%</b>
Key Financial Systems	63	20	67	20
Corporate Audits (Council Wide)	30	9	65	19
Operational Audits	113	35	90	26
Procurement / Contracts	12	4	15	4
IT Audits	27	8	37	11
Corporate Governance / Risk Management	12	4	2	1
Joint Reviews and Shared Learning	5	1.5	5	2
Strategic Support*	41	13	41	12
Contingency and other	2	0.5	3	1
Carry forward work	15	5	15	4
<b>Total allocated days</b>	<b>320</b>	<b>100%</b>	<b>340</b>	<b>100%</b>

\* This covers supporting the Audit Committee, monitoring delivery of the audit plan, client liaison and planning for 2021/22.

- 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 noting 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 2019/20. 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 2020/21 and any proposed changes will be reported to this Committee four times in the 2020/21 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 2020/21 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

<b>Performance Indicator</b>	<b>Performance Target</b>
<b>1. Planned Days</b> percentage of actual billable days against planned chargeable days completed.	95%
<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 audit plan.	95%

<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. 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>6. 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 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Quarter
<b>Financial System Audits</b>				
Integra (Financial System)	An annual cyclical audit that will provide assurance over the key controls covering the following risk areas: a) System Access; b) Authorisations; c) Reconciliations; d) Supplier Accounts; e) Reporting.	<b>Audit Sponsor:</b> Service Director (Resources)  <b>Key Contact:</b> Controls, Risk and Performance Manager	15	3
Treasury Management	An annual cyclical audit that will provide assurance over the key controls covering the following risk areas: a) Treasury Management Strategy; b) Investments and Borrowing; c) Counterparties; d) Reporting.	<b>Audit Sponsor:</b> Service Director (Resources)  <b>Key Contact:</b> Corporate Support Accountant	8	3
Payroll	Given the change in contractual arrangements, the audit will seek to provide assurance over the following risk areas: a) Contract Management and Realisation of Benefits; b) System access; c) Starters, Leavers and Amendments; d) Expenses, Overtime and Additional Payments; e) Pay Run and Third-Party Payments	<b>Audit Sponsor:</b> Service Director (Resources)  <b>Key Contact:</b> Corporate HR Manager	15	3
Revenues	An annual cyclical audit that will provide assurance over the key controls covering the following risk areas: a) Discounts, Exemptions and Reliefs (mandatory and discretionary); b) Systems Access; c) Recovery and Collection of Arrears.	<b>Audit Sponsor:</b> Service Director (Customers)  <b>Key Contact:</b> Revenues Manager	15	3
Benefits	An annual cyclical audit that will provide assurance over the key controls covering the following risk areas:	<b>Audit Sponsor:</b> Service Director	10	3

## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Quarter
	<ul style="list-style-type: none"> <li>a) Overpayments, Recovery and Write-Offs;</li> <li>b) Responses to Fraud Investigations (lessons learned from proven fraud cases).</li> </ul>	(Customers)  <b>Key Contacts:</b> Benefits Manager		
<b>Cross-Council Audits</b>				
Performance Indicators	A Council-wide audit that will seek to provide assurance that the following risk areas are sufficiently controlled: <ul style="list-style-type: none"> <li>a) Use of performance indicators across the Council;</li> <li>b) Reporting of performance indicators including both positive and negative performance;</li> <li>c) Deriving value from performance indicators.</li> </ul>	<b>Audit Sponsor:</b> Service Director (Resources)  <b>Key Contact:</b> Controls, Risk and Performance Manager	15	1
Community Engagement	A key objective in the Council Plan is to increase engagement with residents, community groups and businesses. We are therefore proposing to conduct a Council-wide review covering the following scope areas: <ul style="list-style-type: none"> <li>a) Identification of Engagement Priorities;</li> <li>b) Effectiveness of Delivery of Engagement Activities;</li> <li>c) The Measurement of Benefits and Impact of Activities.</li> </ul> <p>The review may also include a small benchmarking exercise with similar nearby authorities.</p>	<b>Audit Sponsor:</b> Chief Executive and Deputy Chief Executive  <b>Key Contact:</b> Policy and Community Engagement Manger	15	1
<b>Operational Audits</b>				
Climate Change and Sustainability	The audit will provide assurance on the Council's climate change credentials. This may include: <ul style="list-style-type: none"> <li>a) Climate change strategy and policy;</li> <li>b) Accuracy of reporting data against targets, stated aims and objectives;</li> <li>c) Energy management.</li> </ul>	<b>Audit Sponsor:</b> Service Director (Legal and Community)  <b>Key Contact:</b>	7	4

## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Quarter
	An audit will also be carried out at other SIAS partners. The number of proposed days includes provision for consolidating the audit reports, thereby providing a wider level of assurance and sharing any learning across Hertfordshire.			
Waste Contract Follow Up	<p>This follow up review will provide a status update on the recommendations made in the Waste Contract audit carried out in 2018/19.</p> <p>In addition, assurance will be provided over the arrangements for Garden Waste income.</p>	<p><b>Audit Sponsor:</b> Service Director (Place)</p> <p><b>Key Contact:</b> Shared Waste and Recycling Manager</p>	3	1
Corporate Debt Management Follow Up	This follow up review will provide a status update on the recommendations made in the Corporate Debt Management audit carried out in 2018/19.	<p><b>Audit Sponsor:</b> Service Director (Resources)</p> <p><b>Key Contact:</b> Controls, Risk and Performance Manager</p>	2	1
Trade Waste	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.	<p><b>Audit Sponsor:</b> Service Director (Place)</p> <p><b>Key Contact:</b> Shared Waste and Recycling Manager</p>	10	4
Customer Services – Digitalisation	To provide assurance that the channel shift of digitalisation of the Customer Services team are effective. This may include areas such as the Council website, communication channels and how the Council re-engages with customers.	<p><b>Audit Sponsor:</b> Service Director (Customers)</p> <p><b>Key Contact:</b> Customer Services Manager</p>	10	2
Commercial Strategy	To provide assurance that the Commercial Strategy is meeting	<b>Audit Sponsor:</b>	15	2

## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Quarter
	its aims and objectives, robust actions plans are in place and progress is being made against these, the strategy is in line with the risk appetite of the Council, there are clear monitoring and reporting mechanisms in place for commercial activity in line with the strategy. In addition, the review will seek to provide assurance that the strategy aligns to other key strategies of the Council.	Service Director (Commercial)  <b>Key Contact:</b> Commercial Manager		
Anti-Social Behaviour	The Council has undertaken campaigns and activities relating to fly tipping and abandoned vehicles, this review will focus on the success of these activities. In addition, the review will focus on the use of CCTV, case management and enforcement.	<b>Audit Sponsor:</b> Service Director (Legal and Community)  <b>Key Contact:</b>	10	2
Parking Strategy and Enforcement	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.	<b>Audit Sponsor:</b> Service Director (Regulatory Services)  <b>Key Contact:</b> Strategic Infrastructure and Projects Manager	15	4
Medium Term Financial Strategy	To provide assurance that the Medium-Term Financial Strategy is sufficiently long term (e.g. up to 10 years), that it adequately reflects Council priorities, has suitable uncertainty built into assumptions, it reflects the Council’s risk appetite and robust governance arrangements exists.	<b>Audit Sponsor:</b> Service Director (Resources)  <b>Key Contact:</b> Service Director (Resources)	12	3
Housing Allocations	To provide assurance that sufficient controls are in operation in relation to the following areas: a) Assessment and eligibility; b) Conflicts of interests (both officers and Members)	<b>Audit Sponsor:</b> Service Director (Regulatory Services)	10	2

## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Quarter
	c) Appeals.	<b>Key Contact:</b> Strategic Housing Manager		
Health and Safety of Out of Hours Workers	With the increasing use of out of hours workers in parking enforcement and Environmental Health, this audit will seek to provide assurance that there are sufficient and robust arrangements in place to manage the risks associated with the health and safety of officers working out of hours.	<b>Audit Sponsor:</b> Service Director (Regulatory Services)  <b>Key Contact:</b> Strategic Infrastructure and Projects Manager / Environmental Health Manager	12	2
Review of FAR	To review the effectiveness of the Finance, Audit and Risk Committee and confirm that NHDC complies with the guidance in the CIPFA Audit Committee 'Practical Guidance for Local Authorities and Police'.	<b>Audit Sponsor:</b> Service Director (Resources)	5	1
King George V Playing Fields and Workman's Hall	To produce the Independent Examiner's Reports for the trusts.	<b>Audit Sponsor:</b> Service Director (Resources)  <b>Key Contact:</b> Group Accountant	2	4
<b>Contract Audits</b>				
Green Space Providers	To provide assurance that the risks relating to green space providers ongoing service provision are suitably controlled. This may include robust contract management activities, alignment to the Green Space Strategy and performance of current providers.	<b>Audit Sponsor:</b> Service Director (Place)  <b>Key Contact:</b> Service Manager Grounds	12	2



## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21

Audit Title	Proposed Scope / Risk Areas	Officers	Days	Quarter
<b>Risk Management Audits</b>				
Risk Management Framework	To review the effectiveness of the governance arrangements in place to support the risk management framework, the adherence and robustness of the Risk Management Strategy and a review of effectiveness of risk management activities.	<b>Audit Sponsor:</b> Service Director (Resources)  <b>Key Contact:</b> Controls, Risk and Performance Manager	12	2
<b>IT Audits</b>				
Disaster Recovery	To provide assurance disaster recovery plans exist, are subject to regular testing and that lessons are learned from the tests undertaken.	<b>Audit Sponsor:</b> Service Director (Customers)  <b>Key Contact:</b> ICT Manager	12	1
Asset Management	This audit seeks to provide assurance that the Council has maintained a full and complete asset register for IT equipment. The lifecycle of hardware, including servers, tablets and laptops/PC's, has been considered in the IT Strategy and decisions making regarding replacement equipment is future focused.	<b>Audit Sponsor:</b> Service Director (Customers)  <b>Key Contact:</b> ICT Manager	15	3

Title	Description	Days
<b>Shared Learning and Joint Reviews</b>		
Joint Reviews	Joint review topics to be agreed by the SIAS Board.	2
Shared Learning	Production of SIAS Quarterly Shared Learning papers.	3
<b>Contingency</b>		2

## APPENDIX A – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21

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Title	Description	Days
<b>Client Management – Strategic Support</b>		
Head of Internal Opinion 2019/20	To prepare and agree the Head of Internal Audit Opinion 2018/19.	3
Audit Committee	To provide service linked with the preparation, agreement and presentation of Audit Committee reports.	8
Client Meetings	Meetings with the Council's Audit Champion, S151 Officer and other key officers and attendance at corporate groups.	8
Liaison with External Audit	Meetings with the Council's External Auditor, as required.	1
Progress Monitoring	Audit Plan monitoring and reporting.	10
SIAS Development	Included to reflect the Council's contribution to developing the partnership.	5
2021/22 Audit Planning	Provision of services to prepare, agree and report the 2020/21 Annual Audit Plan.	6
Completion of outstanding 2019/20 projects	Completion of outstanding work from 2019/20.	15

## APPENDIX B – PROPOSED NORTH HERTS DISTRICT COUNCIL AUDIT PLAN 2020/21 – RESERVE LIST

Audit Title	Proposed Scope / Risk Areas	Officers	Days
Compliance Contract	To assess the adequacy of the service provided through the shared Property Compliance contract and review contingency arrangements in the event of performance risks materialising.	<b>Audit Sponsor:</b> Service Director (Resources)	10
Absence Management	To provide assurance over the arrangements to manage absences across the Council. This may include the following areas: a) Policy; b) Consistency of management; c) Reporting; d) Referrals to Occupational Health.	<b>Audit Sponsor:</b> Chief Executive and Deputy Chief Executive	15
Hitchin Townhall and Museum Operations	To provide assurance over the combined approach for the management of Hitchin Townhall and Museum, assess the achievement of objectives for the facility and ensure the role of the facility is clear.	<b>Audit Sponsor:</b> Service Director (Commercial)	10
Freedom of Information and Subject Access requests (SARs)	To provide assurance that statutory deadlines are being met, responses are adequate, information is managed appropriately, appeals and that income from SAR's is accurately recorded.	<b>Audit Sponsor:</b> Service Director (Customers)	10

## APPENDIX C – AUDIT START DATES AGREED WITH MANAGEMENT

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Quarter 1	Quarter 2	Quarter 3	Quarter 4
Waste Contract F/U	Customer Services	Integra	Climate Change and Sustainability
Debt Management F/U	Commercial Strategy	Treasury Management	King George V Playing Fields
Review of FAR	Anti-Social Behaviour	Payroll	Workman's Hall
Disaster Recovery	Housing Allocations	Revenues	Trade Waste
Performance Indicators	Health and Safety LW	Benefits	Parking Strategy and Enforcement
Green Space Providers	Community Engagement	Medium Term Financial Strategy	
2019/20 Projects Requiring Completion	Risk Management Framework	IT Asset Management	



## **North Herts District Council** Audit Committee Progress Report

16 March 2020

### Recommendations

Members are recommended to:

- Note the Internal Audit Progress Report for the period to 4 March 2020,
- Note the proposed amendments to the 2019/20 Annual Audit Plan, and
- Note the implementation status of high priority recommendations.

## Contents

- 1 Introduction and Background
  - 1.1 Purpose
  - 1.2 Background
  
- 2 Audit Plan Update
  - 2.1 Delivery of Audit Plan and Key Findings
  - 2.4 High Priority Recommendations
  - 2.7 Proposed Amendments to the 2019/20 Annual Audit Plan
  - 2.11 Performance Management

## Appendices

- A Progress against the 2019/20 Audit Plan
  
- B Implementation Status of High Priority Recommendations
  
- C 2019/20 Audit Plan Start Dates Agreed with Management
  
- D Assurance and Finding Definitions 2019/20

# 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 2019/20 as at 4 March 2020.
  - b) Implementation status of previously agreed high priority audit recommendations and request to agree removal of completed actions.
  - c) Proposed amendments to the 2019/20 Annual Audit report
  - d) An update on performance management information as at 4 March 2020.

## Background

- 1.2 The 2019/20 Annual Audit Plan was approved by the Finance, Audit and Risk Committee (the FAR Committee) on 21 March 2019.
- 1.3 The Committee receives periodic updates of progress against the Annual Internal Audit Plan. This is the final report giving feedback on the delivery of the 2019/20 Internal Audit Plan.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

# 2. Audit Plan Update

## Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 4 March 2020, 86% of the 2019/20 Audit Plan days had been delivered.
- 2.2 The following 2019/20 final reports have been issued since 15 November 2019 (cut-off date for the SIAS Update Report for 5 December 2019 FAR Committee):

<b>Audit Title</b>	<b>Date of Issue</b>	<b>Assurance Level</b>	<b>Number of Recommendations</b>
Workforce Planning and Development	January 2020	Satisfactory	2 Medium, 1 Low
Workman's Hall	January 2020	N/A	N/A
King George V Playing Fields	January 2020	N/A	N/A
Corporate Resilience	February 2020	Satisfactory	1 Medium, 2 Low

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

### **High Priority Recommendations**

- 2.4 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.
- 2.5 There are no high priority recommendations arising from the work undertaken in the audits detailed in paragraph 2.2 above. There are three high priority recommendations that remain in progress, one relating to Corporate Debt Management, one relating to Museum Services and one relating to the Time Recording System.
- 2.6 The standard template schedule attached at Appendix B shows the management response, target implementation date and the implementation status of the agreed high priority audit recommendations that are currently not implemented.

### **Proposed Amendments**

- 2.7 At the request of management, the following changes have been made to the 2019/20 Annual Audit Plan in the period since the last FAR Committee:
- 2.8 As agreed with management, some small additions of time have been added to following audits:
- a) Time Recording System – 2 days
  - b) Workforce Planning and Development – 2 days
- 2.9 As a result of the above changes, contingency in the 2019/20 Annual Audit Plan for the Council stands at 2 days.
- 2.10 There have been some locally agreed changes to proposed start dates, details of these can be found in Appendix C.

### **Performance Management**

#### **Reporting of Audit Plan Delivery Progress**

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



<b>Summary – 4 March 2020</b>			
<b>Status</b>	<b>No of Audits at this Stage</b>	<b>% of Total Audits (27)</b>	<b>Profile to date</b>
Draft / Final Report Issued	17	63%	(20/27)
In Fieldwork / Quality Review	10	37%	(7/27)
Terms of Reference Issued / In Planning	0	0%	(0/27)
Yet to be planned	0	0%	(0/27)

Deferred	0
Cancelled	2

- 2.12 Annual performance indicators and associated targets were approved by the SIAS Board in March 2019.
- 2.13 As at 4 March 2020, actual performance for North Herts District Council against the targets that can be monitored in year was as shown in the table below:

<b>Performance Indicator</b>	<b>Annual Target</b>	<b>Profiled Target to 4 March 2020</b>	<b>Actual to 4 March 2020</b>
<b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	90% (305 / 338 days)	86% (292 / 338 days)
<b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects	95%	74% (20 / 27 projects)	63% (17 / 27 projects)
<b>3. Client Satisfaction with Conduct of the Audit</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (8 issued, 6 returned – all 6 meet satisfactory levels))
<b>4. Number of High Priority Audit Recommendations agreed</b>	95%	95%	100%

- 2.14 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2019/20 Head of Assurance's Annual Report:

- **5. 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.
- **6. Head of Assurance’s Annual Report** – presented at the Audit Committee’s first meeting of the civic year.

**APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 4 MARCH 2020**

**2019/20 SIAS Audit Plan**

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	Good	0	0	0	0	14	Yes	14	Final Report Issued
Treasury Management						8	Yes	7.5	Draft Report Issued
Expenses						10	Yes	2.5	In Fieldwork
Budgetary Control						10	Yes	6.5	In Fieldwork
Revenues						15	Yes	14.5	Draft Report Issued
Benefits						10	Yes	9.5	Draft Report Issued
<b>Corporate Audits</b>									
Data Quality of Performance Information						0	Yes	0	Cancelled
Workforce Planning and Development	Satisfactory	0	0	2	1	22	Yes	22	Final Report Issued
Corporate Resilience	Satisfactory	0	0	1	2	15	Yes	15	Final Report Issued
Corporate Change Management						15	Yes	13	In Fieldwork
<b>Operational Audits</b>									
Trade Waste						15	Yes	3	In Fieldwork
Temporary Accommodation						12	Yes	11.5	Draft Report Issued
Time Recording System	Limited	0	1	1	1	14	Yes	14	Final Report Issued
Members Expenses Benchmarking						8	Yes	2	In Fieldwork
Parking Strategy and						0	Yes	0	Cancelled

**APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 4 MARCH 2020**

AUDITABLE AREA	LEVEL OF ASSURANCE	RECOMMENDATIONS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS / COMMENTS
		C	H	M	L				
Enforcement									
Transparency Code	Satisfactory	0	0	0	0	12	Yes	12	Final Report Issued
Equality and Diversity	Good	0	0	0	2	10	Yes	10	Final Report Issued
Herts Home Improvement Agency						2	Yes	1	In Fieldwork
Review of FAR	Not Assessed	0	0	0	0	3	Yes	3	Final Report Issued
King George V Playing Fields	Not Assessed	0	0	0	0	1	Yes	1	Final Report Issued
Workman's Hall	Not Assessed	0	0	0	0	1	Yes	1	Final Report Issued
Development Management						10	Yes	2	In Fieldwork
Insurance						10	Yes	8	In Fieldwork
Careline Stock						10	Yes	9.5	Draft Report Issued
<b>Procurement / Contracts</b>									
Financial Resilience of Suppliers						15	Yes	14	Quality Review
<b>IT Audits</b>									
General Data Protection Regulations	Satisfactory	0	0	2	2	10	Yes	10	Final Report Issued
Cyber Security	Satisfactory	0	0	4	1	15	Yes	15	Final Report Issued
Systems Access – Passwords						12	Yes	11.5	Draft Report Issued
<b>Anti-Fraud</b>									
SAFS Review						2	Yes	2	Quality Review
<b>Shared Learning and Joint Reviews</b>									
Joint Reviews						2	Yes	2	Allocated
Shared Learning						3	Yes	3	Through Year

**APPENDIX A – PROGRESS AGAINST THE 2019/20 AUDIT PLAN AS AT 4 MARCH 2020**

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 & Ad Hoc Activity						2	Yes	0	As Required
<b>Strategic Support</b>									
Head of Internal Audit Opinion 2018/19						3	Yes	3	Complete
Audit Committee						8	Yes	8	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
2020/21 Audit Planning						6	Yes	6	Through Year
<b>2018/19 Projects requiring completion</b>									
Finalisation of Projects						11	Yes	11	Complete
<b>Total - North Herts D.C.</b>		<b>0</b>	<b>1</b>	<b>10</b>	<b>9</b>	<b>340</b>		<b>292</b>	

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## APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
1.	Corporate Debt Management (March 2018)	<p>We recommend that the Council undertakes training with all officers responsible for debt management and recovery. Within this training and in lieu of a corporate policy, clear procedures should be outlined and documented to provide clear direction and consistent approach to debt management and recovery in all directorates.</p> <p>The training and procedures should set out the entire standard corporate debt recovery process, from start to finish, in writing and through illustration (via a summary flowchart), so that the automated and manual intervention stages, actions and timings are all clearly defined.</p> <p>The roles,</p>	To take place once new revised format of aged debt complete.	Controls, Risk and Performance Manager / Revenues Manager	31 October 2019	<p><b>June 2019</b> - Not applicable.</p> <p><b>September 2019</b> - A survey on the format of the aged debt report, which seeks the views of budget holders, has just commenced. Once a revised report has been set up taking into consideration both the audit recommendations and views of managers, officers will set up some training with managers on what the report is telling them and what action they need to take.</p> <p><b>November 2019</b> - First quarterly report taken to SMT on 5 November 2019, highlighting current issues. Subsequent meetings held with Estates and Licensing to identify action to be taken. Familiarisation sessions to be held in December 2019 to go through format of the aged debt report and explain role to users.</p> <p><b>March 2020</b> - Following the approved changes to the</p>	<b>Implemented</b>

## APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		<p>responsibilities and delegations of corporate finance, corporate recovery and services in regard to monitoring, pursuing and writing off overdue sales invoices should be fully explained to all officers and accurately reflect the Financial Regulations.</p> <p>The Council should initially focus on getting the basic debt recovery steps implemented in practice. Once this is in place, the Council should review the impact on overall debt levels and assess the capacity and resources available to pursue debts robustly.</p>				<p>format of the aged debt report, relevant training was developed, and a full programme of training sessions were delivered during late 2019 and early 2020. The slides used for the training have been made available on the intranet for reference. The course has been added to Grow Zone, the Council's learning management system, to enable officers to book future sessions and receive the training when required.</p>	

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

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
2.	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 current artefacts in storage.</p> <p>All of the above have cost implications, both time and financial costs, therefore a cost benefit</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>	<p>Service Director (Commercial)</p>	<p>30 April 2020</p>	<p><b>June 2019</b> - Not applicable</p> <p><b>September 2019</b> – the service will undertake and complete the options appraisal during 2019/20, ideally prior to the commencement of the 2020/21 corporate business planning cycle. This will enable any relevant proposals to be included in the capital investment proposals for the new year.</p> <p><b>November 2019</b> - Following a comprehensive review of the audit outcomes, a Capital investment proposal for a new storage facility at Bury Mead has been put forward, as part of the 2020/21 Corporate Business Planning Process. This proposal will be subject to approval, with the 2020/21 budget due to be considered by Cabinet in January 2020 and Council in February 2020.</p> <p><b>March 2020</b> - Plans for a museum storage solution on</p>	<p><b>Implemented</b></p>



## APPENDIX B – IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		analysis should be completed to support the management decision.				the existing Bury Mead site are progressing and capital funding was approved by Council on 6 February 2020. When completed, the new facility will fulfil current and future storage requirements and will enable the old Hitchin and Letchworth museum buildings to be emptied. The project is in the early stages and further feasibility work is still required, although the expectation is that the specification will be produced and the works will be tendered in 2020/21, work on site will commence in 2021/22 and should be completed in 2022/23. The Museum Service continues to review and rationalise existing artefacts, including the disposal of surplus objects.	

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

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
3.	Time Recording System (September 2019)	<p>We recommend that the MSU to send details of timesheets having to be unlocked, to the Line Managers to provide an overview of the timeliness of timesheet completion.</p> <p>Management should be reminded of their responsibilities, as highlighted in recommendation 1, relating to monitoring and oversight of officers' time records. Consideration should be given to the production of exception reports that detail incomplete time records at the end of the period and these should be shared with management.</p> <p>In order to ensure corporate oversight, the Council may consider developing a monthly report to be presented</p>	<p>Management Support Unit (MSU) Manager to arrange for confirmation that the request has been received to unlock will be sent to individual's line managers, with the reason for the unlock request.</p> <p>IT to develop functionality for reporting incomplete timesheets at the end of each four-week flexi period.</p>	Service Director (Customers)	31 December 2019	<p><b>September 2019</b> – not applicable</p> <p><b>November 2019</b> – The unlocking procedure has been changed so that now a request to unlock a timesheet has to be made by the line manager and not the officer concerned. This ensures that line managers are immediately aware of a request to unlock and are better placed to deal with repeat occurrences. In terms of the reports, IT has confirmed that these can be amended and produced. There is an ongoing review of the flexi-scheme at the moment, which has in part come about because of the audit report and a review of whether the existing scheme is now fit for purpose considering the substantial changes in working practices over the last few years. The Service Director – Customers is not proposing to ask for the changes to reports to be implemented until that review</p>	<b>In Progress</b>

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

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
		to Service Directors, to provide an overview of the flexi time system usage, compliance with policy and potential staff wellbeing issues.				<p>has been completed and any revised scheme adopted. This will avoid wasting resources to change reports now and then having to do it again in a few months' time, bearing in mind that it is proposed to bring in any new scheme for 1 April 2020.</p> <p><b>March 2020</b> - The unlocking procedure has been changed so that now a request to unlock a timesheet has to be made by the line manager and not the officer concerned. This ensures that line managers are immediately aware of a request to unlock and are better placed to deal with repeat occurrences. In terms of the reports, IT have confirmed that these can be amended and produced. Following a review of the current flexi-scheme, which in part came about because of the audit report, changes to the scheme were approved and relevant preparations are being made for these to be implemented from April 2020.</p>	

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

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments (Last 12 months)	Status of Progress
						<p>As part of these preparations, IT are currently rewriting the software to capture the changes agreed by the Leadership Team. As previously advised by the Service Director – Customers, the required changes to reports have been scheduled to coincide with the changes to the wider scheme.</p> <p><b>Revised Target Date: 31 March 2020</b></p>	

**APPENDIX C – 2019/20 AUDIT PLAN START DATES AGREED WITH MANAGEMENT**





April	May	June	July	August	September
Time Recording System <b>Final Report Issued</b>	Workforce Planning and Development <b>Final Report Issued</b>		Corporate Resilience <b>Final Report Issued</b>	General Data Protection Regulations <b>Final Report Issued</b>	Temporary Accommodation <b>Draft Report Issued</b>
Review of FAR <b>Final Report Issued</b>	Cyber Security <b>Final Report Issued</b>		Equality and Diversity <b>Final Report Issued</b>	Data Quality of Performance Information <b>Cancelled</b>	
2018/19 Carry Forward Projects	Transparency Code <b>Final Report Issued</b>				
October	November	December	January	February	March
Integra 2 <b>Final Report Issued</b>	Budgetary Control <b>In Fieldwork</b>		Corporate Change Management <b>In Fieldwork</b>	Parking Strategy and Enforcement <b>Cancelled</b>	
Treasury Management <b>Draft Report Issued</b>	Benefits <b>Draft Report Issued</b>		Trade Waste <b>In Fieldwork</b>	Insurance <b>In Fieldwork</b>	
Expenses <b>In Fieldwork</b>	Systems Access (Passwords) <b>Draft Report Issued</b>		Financial Resilience of Suppliers <b>Quality Review</b>	Development Management <b>In Fieldwork</b>	
SAFS Review (moved from July) <b>Quality Review</b>			King George V Playing Fields <b>Final Report Issued</b>	Careline Stock <b>Draft Report Issued</b>	

**APPENDIX C – 2019/20 AUDIT PLAN START DATES AGREED WITH MANAGEMENT**

			Revenues (moved from November) <b>Draft Report Issued</b>		
			Members Expenses Benchmarking (moved from September) <b>In Fieldwork</b>		
			Workman's Hall <b>Final Report Issued</b>		
			Herts Home Improvement Agency Follow Up <b>In Fieldwork</b>		

**APPENDIX D – ASSURANCE AND FINDINGS DEFINITIONS 2019/20**

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>	 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>	 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>	 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</b>	 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

### Anti-Fraud Plan 2020/2021

#### Recommendation

Members are recommended to:

1. Review and approve the SAFS/NHDC Anti-Fraud Plan 2020/2021.

## **Contents**

- 1 Purpose
- 2 Background
- 3 Plans & Reports 2019/2020 & 2020/21

## **Appendix**

- A. LGA Councillors Workbook- Fraud and Bribery Prevention
- B. NHDC Anti-Fraud Action Plan 2020/2021

## 1 PURPOSE

- 1.1 This report provides details of the Council's anti-fraud and corruption arrangements for 2020/21. The Anti-Fraud Plan ensures that the Council considers and acknowledges the risk of fraud, has in place appropriate policies and processes to deter/prevent/investigate fraud, and that senior officers understand their role in protecting the Council against fraud.

## 2 BACKGROUND

- 2.1 Reports published by Government and private/public sector organisations highlight fraud as a significant risk for local government. Reviewing the findings from these reports has assisted in the design of the Council's anti-fraud arrangements and ensures that the Council is aware of its 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 the Chartered Institute of Public Finance and Accountancy (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 2018* 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.
  - CIPFA's *Fraud and Corruption Tracker 2019* indicates that identified fraud had increased since 2016 but that the capacity within the sectors counter fraud response had reduced, and would continue to do so, potentially placing local government at even greater risk of fraud.
- 2.2 The Cabinet Office, Ministry for Housing Communities and Local Government (MHCLG), National Audit Office (NAO), and CIPFA have all issued guidance, advice, and best practice to support local councils in the fight to reduce fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and investing appropriate resources in counter fraud activities to prevent/reduce losses.
- 2.3 It is essential to support this work that 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.

- 2.4 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.

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

#### ***Anti-Fraud and Corruption Strategy***

- 3.1 The Council has in place an Anti-Fraud and Corruption Strategy. This document lays out the Council's position and is under review at present so that it complies with the latest practice guidance from CIPFA including areas such as money laundering, bribery and tax evasion.

#### ***Anti-Fraud Action Plan 2019/20***

- 3.2 The Council's Anti-Fraud Action Plan for 2019/20, approved by Members in March 2019, covered all areas recommended by CIPFA to ensure that the Council takes appropriate action to prevent/deter/pursue fraud.
- 3.3 Progress with delivery of this plan was provided to Members in January 2020 and a final report will be provided to this Committee in early summer of 2020.

#### ***Anti-Fraud Plan 2020/21***

- 3.4 The plan for the next financial year follows a similar format to that used in previous years taking into account changes in guidance from CIPFA/LGA and changes identified in the Council fraud risks. See **Appendix B** for a copy of the plan.
- 3.5 Adherence to the proposed plan for 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 2019/20***

- 3.6 SAFS will also provide data to meet the requirements of Transparency Code for publication by the Council in 2020 on all counter fraud activity at the Council during 2019/20.

## Appendices

**A.** LGA Councillors Workbook.



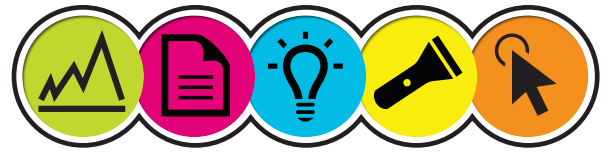
Cllrs WB

**B.** NHDC Anti-Fraud Plan 2020/21

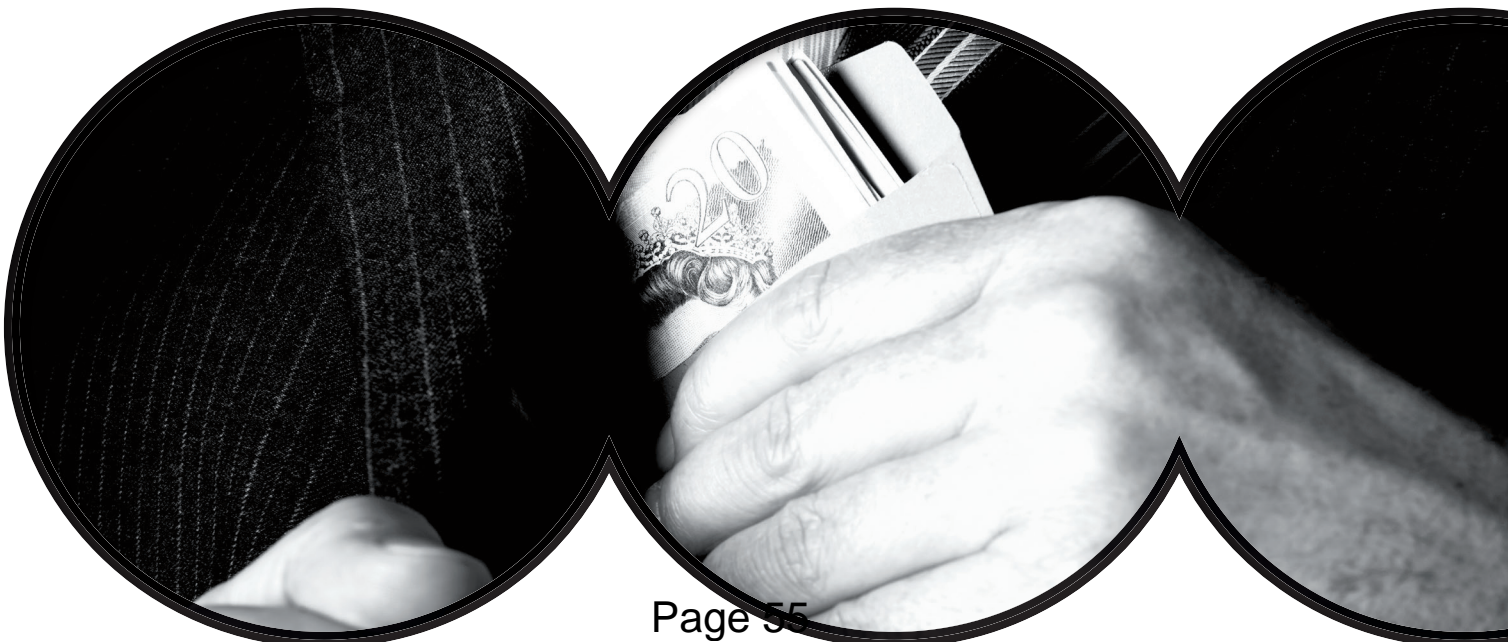


NHDC Anti-Fraud  
Plan

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# A councillor's workbook on bribery and fraud prevention



# Contents

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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, it is clear 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 quantify, 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)

Reproduced from Fighting Fraud and Corruption Locally 2016-19

# 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>

Fighting Fraud and Corruption Locally 2016-19

## 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.

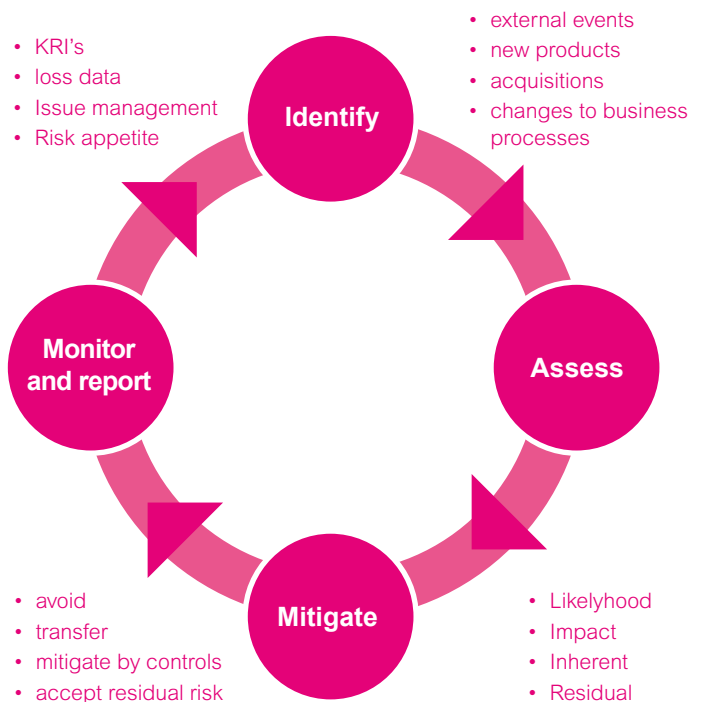
Implementing an effective fraud risk management framework, such as the CIPFA code of practice, will enable authorities to employ controls that help to prevent fraud from occurring in the first place, identify and detect fraud as soon as it occurs and enable a practical and efficient response to those 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.

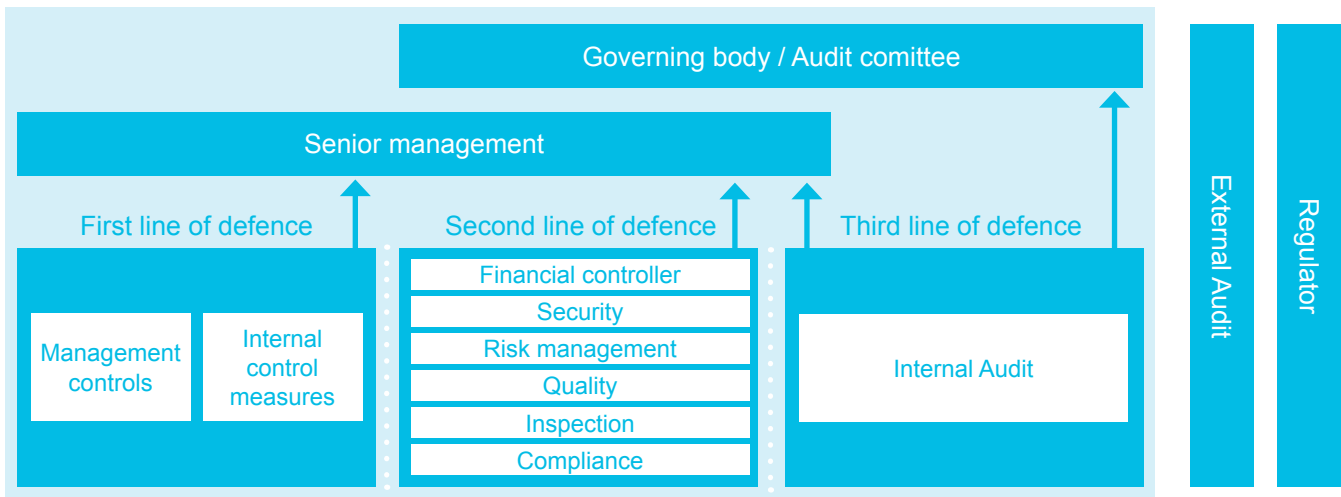
Councils must have a means of obtaining independent assurance that the system of internal control is adequate and working effectively. In local authorities there is usually an audit committee (sometimes called audit and risk committee) to carry out this role.

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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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**



**SAFS**  
Shared Anti-Fraud Service  
*Fighting Fraud in Partnership*

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## **Introduction**

This plan supports the Council's Fraud Prevention 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 will promote an environment where everyone feels able to report any concerns that they have*

*The Council, through the Senior Management Team, is committed to developing a policy that is proportionate to the risks it faces.*

*The Council has an overarching "Fraud, Corruption and Bribery" risk on its risk register. This incorporates a number of sub-risks that are kept under regular review. This includes the risks from both within the Council, and from outside.*

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.

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 exceeded £7bn in 2016/2017, excluding housing benefit fraud & council tax fraud.

In 2019 the National Crime Agency’s *Public Private Threat Update- (Economic Crime)* for 2018 identified that reported nationally fraud loss had increased by 38% on the previous year and incidents of fraud crime had increased by 9%. The report highlights insider fraud, cyber enabled fraud and identity fraud as key areas of risk.

CIPFA’s *Counter Fraud and Corruption Tracker 2019 – (Summary Report)* reported that fraud in local government had a downward trend in 2018/19 compared to previous years, in particular in relation to tenancy and social housing fraud. The report mentions that this trend may be indicative of action taken by local government to prevent this type of fraud. But, the report goes on to suggest that the three biggest areas of fraud risk for local government remain procurement, council tax and adult care services.

The Council has always accepted and acknowledged that it is at risk of significant fraud and it is clear that the increasing upward trend of reported fraud nationally requires that the Council has in place robust processes and strategies to reduce the opportunity for fraudsters to attack the Councils finances.

CIPFAs ***Local Government Counter Fraud and Corruption Strategy (2016-2019)*** provides a strategic response for local government to deal with the threat of fraud and 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. A new strategy will be announced in March 2020 and this expected to follow the same six themes or 6C’s:

- 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

What is clear is that the threat of fraud to the Council is real and, that every pound lost from the public purse is a pound lost from front line services. The Councils Anti-Fraud Plan 2020/2021 is based on the principles of ‘Acknowledge/ Prevent/ Pursue’ and the 6 C’s to ensure the Council is adequately protected against the risk of fraud and that, where fraud does occur, there are plans to manage, mitigate and recover losses.

## **SAFS Resources 2020/2021**

### **Anti-Fraud Arrangements**

North Hertfordshire District Council is a founding Partner of 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. In 2019 the SAFS Partnership won awards for '*Significant Contribution*' at the Fighting Fraud and Corruption Locally Awards and the '*Outstanding Partnership*' award at the Tackling Economic Crime Awards.

SAFS is a Partnership with each organisation paying 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 a seat on that Board. For the 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 January 2020 the SAFS Board accepted a report from the Head of SAFS to increase the fees for all Partners in line with a cost of living increase to meet increased staff costs. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years.

The Board agreed that the annual fee for all Partners would increase by 2% per annum to 2021 and would be reviewed further at that time.

North Hertfordshire District Council fees will increase from £81,600+ VAT (2019/20) to £83,232+ VAT (2020/21).

### **Staffing**

The full complement of SAFS in 2020/2021 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 0.6 FTE Accredited Financial Investigator both posts are funded from SAFS Budgets.

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 three Audit Committees reports per annum. The Accredited Financial Investigator is also available to assist in money laundering or proceeds of crime investigations.

SAFS also has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services to support the in-house legal team.

## **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 continue to develop with the Cabinet Officer and Council officers a 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 2020/ 2021

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 the Councils 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 & specific anti-fraud training across all Council services and review the E-Learning training available 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	
	<b>PREVENT</b>	Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. <b>COLLABORATION</b>	Develop the Councils use of the Herts <i>FraudHub</i> and report the benefits of this initiative to the Council. SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS, SAS and Hooyu Deliver the NFI 2020/2021 Exercise Continue to work with DWP to deliver CTRS/HB joint working 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 Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA 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 Manager SAFS Manager SAFS Manager SAFS Manager
<b>PURSUE</b>		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 Legal Service and Housing, HR and Debt Recovery Teams will seek to 'prosecute' offenders, apply sanctions and recover financial 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 for 2019/2020 Reports for Audit Committee on all Counter Fraud activity at the Council SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government	Service Director - Resources SAFS Manager Service Director - Resources/ SAFS Manager SAFS Manager



SAFS

KPIs 2020/ 2021

KPI	Measure	Target 2020/21	Reason for KPI
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.	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 the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Corporate Governance, Champion meetings, team management meetings.	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.	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 5 Fraud training events for staff/Members in year.	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. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. 60% of cases investigated and closed in year with a positive outcome C. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported.	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Develop the Hertfordshire FraudHub for the Council. B. Support the NFI 2020/21 data upload by the Council. C. Consider other areas where the better use of data will benefit the Council financially.	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 AND RISK COMMITTEE  
16 MARCH 2020**

**PUBLIC DOCUMENT**

**TITLE OF REPORT: LOCAL CODE OF CORPORATE GOVERNANCE 2020 AND ANNUAL GOVERNANCE STATEMENT 2018/19 (ACTION PLAN FOR 2019/20) UPDATE**

**REPORT OF: THE POLICY & COMMUNITY ENGAGEMENT MANAGER**

**EXECUTIVE MEMBER: [NON-EXECUTIVE FUNCTION]**

**CURRENT COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT**

**NEW COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY**

**1 EXECUTIVE SUMMARY**

- 1.1. For the Finance, Audit & Risk Committee to approve the Local Code of Corporate Governance for 2020; and review the progress of the Annual Governance Statement ('AGS') Action Plan for 2019/20.

**2. RECOMMENDATIONS**

That the Committee:

- 2.1. approves the Local Code of Corporate Governance 2020 (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 2019/20 provides the Committee with assurances that NHDC is following through with recommended changes and/or improvements to its governance arrangements.

**4. ALTERNATIVE OPTIONS CONSIDERED**

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 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 Executive decision and has therefore not been referred to in the Forward Plan.

## **7. BACKGROUND**

### *AGS:*

- 7.1 Reference is made to the report of 16<sup>th</sup> September 2019\*, 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 2019. It was based on the (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 2019/20 period. The only amendment is the addition of the recently agreed Council objectives at Section 4 of Appendix A.
- 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 (2018/19) was approved at the Finance, Audit and Risk Committee in July 2019. 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 2019/20.

**8. RELEVANT CONSIDERATIONS**

- 8.1. The Local Code 2020 is at Appendix A.
- 8.2. Appendix B notes the progress made against the individual actions against the Action Plan for 2019/20. Of the eight actions, five have been completed and the remaining three are on-going for this financial year.

**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 Corporate Policy Team. Where appropriate an impact assessment will be undertaken and mitigation measures identified by the report author and Policy team. The Corporate Policy team undertake 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" requirements do not apply to this report.

### **14. HUMAN RESOURCE IMPLICATIONS**

14.1 There are no pertinent Human Resource implications associated with any items within this report.

### **15. APPENDICES**

15.1 Appendix A – Local Code of Governance

15.2 Appendix B - Action plan for 2019/20 and corresponding actions

### **16. CONTACT OFFICERS**

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<sup>1</sup> <https://www.north-herts.gov.uk/sites/northherts-cms/files/Cumulative%20EIA%20assessment%20201819%20FINAL.pdf>

**17. BACKGROUND PAPERS**

- 17.1 The Finance, Audit & Risk report (16 September 2019 website links – [AGS report 2018/19](#), Appendix A - Action Plan update
- 17.2 [Local Code of Governance](#) published in March 2016, updated in March 2019
- 17.3 [Annual Governance Statement 2018/19](#)

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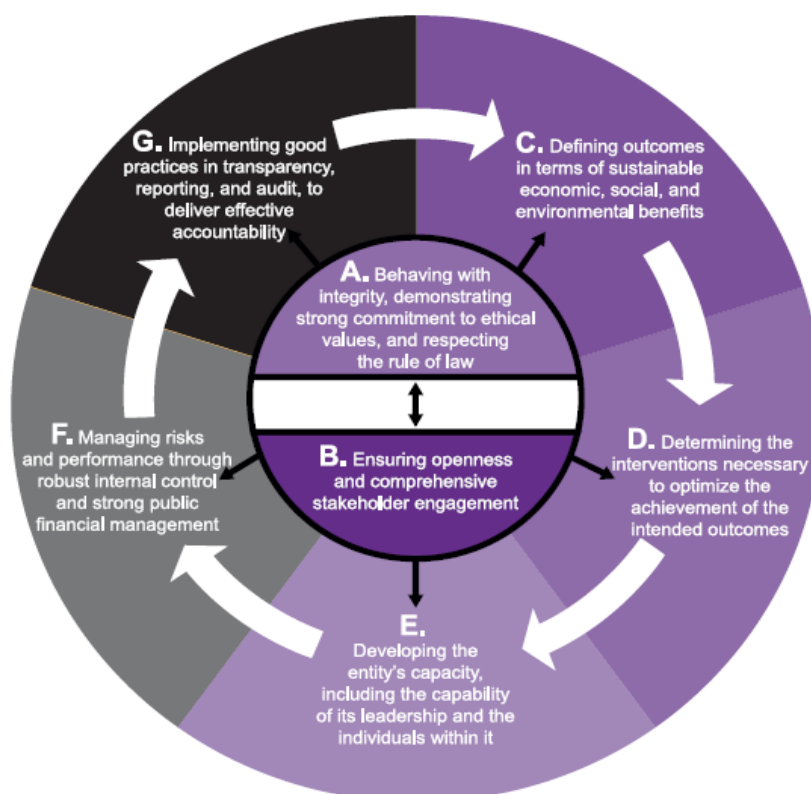


## 1. INTRODUCTION

- 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.

## 2. 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</i>

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

<i>adhering to relevant laws and regulations.</i>
<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> — <i>trust</i> — <i>a shared commitment to change</i> — <i>a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.</i>
<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>

*ii) Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.*

*iii) Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.*

*iv) Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.*

*v) Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.*

*vi) Taking account of the interests of future generations of tax payers and service users.*

### **Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

**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.**

#### **1) Defining outcomes**

*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.*

*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.*

*iii) Delivering defined outcomes on a sustainable basis within the resources that will be available.*

*iv) Identifying and managing risks to the achievement of outcomes.*

*v) Managing service user's expectations effectively with regard to determining priorities and making the best use of the resources available.*

#### **2) Sustainable economic, social and environmental benefits**

*i) Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.*

*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.*

*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.*

*iv) Ensuring fair access to services.*

### **Principle D. Determining the interventions necessary to optimise the achievement of the**

<b>intended outcomes</b>
<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.</b>
<b>1) Determining interventions</b>
<i>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.</i>
<i>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.</i>
<b>2) Planning interventions</b>
<i>i) Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.</i>
<i>ii) Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.</i>
<i>iii) Considering and monitoring risks facing each partner when working collaboratively including shared risks.</i>
<i>iv) Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.</i>
<i>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.</i>
<i>vi) Ensuring capacity exists to generate the information required to review service quality regularly.</i>
<i>vii) Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.</i>
<i>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.</i>
<b>3) Optimising achievement of intended outcomes</b>
<i>i) Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.</i>
<i>ii) Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.</i>
<i>iii) Ensuring the medium term financial strategy sets the context for ongoing decisions on</i>

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.

<p><i>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.</i></p>
<p><i>iv) Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.</i></p>
<p><i>v) Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements).</i></p>
<p><b>3) Robust internal control</b></p>
<p><i>i) Aligning the risk management strategy and policies on internal control with achieving the objectives).</i></p>
<p><i>ii) Evaluating and monitoring the authority's risk management and internal control on a regular basis).</i></p>
<p><i>iii) Ensuring effective counter fraud and anti-corruption arrangements are in place).</i></p>
<p><i>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).</i></p>
<p><i>v) Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:</i>  — 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.</p>
<p><b>4) Managing data</b></p>
<p><i>i) Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</i></p>
<p><i>ii) Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.</i></p>
<p><i>iii) Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</i></p>
<p><b>5) Strong public financial management</b></p>
<p><i>i) Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.</i></p>
<p><i>ii) Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.</i></p>
<p><b>Principle G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b></p>
<p><b>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</b></p>



**respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.**

**1) Implementing good practice in transparency**

*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.*

*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.*

**6) Implementing good practices in reporting**

*i) Reporting at least annually on performance, value for money and the stewardship of its resources.*

*ii) Ensuring members and senior management own the results.*

*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).*

*iv) Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.*

*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.*

**7) Assurance and effective accountability**

*i) Ensuring that recommendations for corrective action made by external audit are acted upon.*

*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.*

*iii) Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.*

*iv) Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.*

*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.*

**3. 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.

#### **4. NHDC'S VISION**

- 4.1. Leadership and collaborative working are developed themes within NHDC. It has a vision and the Council Plan that sets out NHDC's strategic ambitions and aspirations for the district for 2020-2025.

- 4.2. NHDC's Vision is:

***'Making North Herts a district in which everyone who lives, works or visits is able to flourish'***

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 Objectives, which for 2020 onwards are:

- **Be a more welcoming and inclusive council,**

We will engage with and welcome the contributions of residents, community groups and businesses; working collaboratively with local people.

- **Build thriving and resilient communities**

We will work on frequent and regular opportunities to improve the partnership and relationship that the Council has with local citizens. Some of this will be achieved by change in culture, tone and communications but more will be done through direct measurable activity, intervention and consultation.

We will develop a range of innovative ways in which local communities, from small groups to whole towns and communities of interest can be encouraged to become more involved in supporting, planning, improving and maintaining local environments.

This work stream will focus particularly on engaging with young residents and those who are disadvantaged or in any way socially excluded, to ensure such innovations are fit for the future and imaginative in concept and delivery.

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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

- **Respond to challenges to the environment:**

We will seek to provide a clean and safe environment, in consultation and partnership with local people. We will engage local people and organisations as we progress towards our target of net zero carbon emissions by 2030, whilst taking action to enable and encourage residents to minimise their own carbon impact. We will protect the natural and built environment through our planning policies and an effective green spaces strategy. We will take action against environmental crime and ensure that our approach to waste and recycling promotes the hierarchy of reduce, re-use, recycle. We will complete the elimination of single use plastics from the council and support reductions in their use across the district. We will work to improve the monitoring and management of air quality across the district, prioritising those areas where air quality is most in need of improvement.

- **Enable an enterprising and co-operative economy**

We will aim to become an increasingly innovative and inclusive Council, committed to generating community wealth, by seeking commercial and investment opportunities and through proactive engagement with a wider range of small and medium sized businesses to build a sustainable local economy. We will continue to engage with residents, staff and Councillors to continue to embrace modern working practices through the use of IT and a commitment to working towards a paperless Council whilst increasing the efficiency of services and access to them by residents.

- **Support the delivery of good quality and affordable homes.**

We will enable and support the delivery of good quality and affordable housing in the district, ensuring both new and existing housing is fit for purpose, including a commitment to consultation and ensuring communities have the infrastructure they need. We will build more effective relationships with local housing associations and recognise our role in the fight against homelessness. We will continue to support Parishes with Neighbourhood plans.

- a. 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.

## **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 – 16 March 2020

*This Code will be reviewed by 31<sup>st</sup> March 2021 unless any significant changes are required in the interim.*

Action	Officer update
1.Implementation of new member protocol and induction from May 2019; encourage members to access GrowZone to access relevant e-learning as and when appropriate; [Service Director – Customers]	An extensive Induction programme took place in May 2019 for new members. A Councillors’ Learning and Development Protocol was also instituted with nominated Member training champions for 2018/2020. <b>COMPLETED</b>
2. Revised Staff - Staff cultural values and behaviours have been incorporated into the RPR process. (Learning & Development; Deputy Chief Executive)	The RPR process has incorporated the new staff cultural values and behaviours. The values are prominently displayed throughout the District Council office. <b>COMPLETED</b>
3. Ethical awareness training – increased staff/member uptake of the Anti-bribery e-learning module (Learning & Development)	127 staff completed the awareness training, 23 have progressed the training and 209 have yet to start. The L& D team will issue a reminder for completion to all staff. <b>(on-going)</b>
4. Re-organisation – Directorate teams are aligned to new responsibilities and ensure resilience; fully staffed [Service Directors]	Directorates are now aligned to their new responsibilities. <b>COMPLETED</b>
5. The Area Committee Grants criteria to be reviewed in 2019/20 to ensure that it is fit for purpose (Service Director – Legal & Community)	A revised Grants policy was adopted by Cabinet on the 28 <sup>th</sup> January 2020. <b>COMPLETED.</b>
6. Media training for members (Communications Manager and Committee Services)	Training for Cabinet members took place on the 25 <sup>th</sup> November 2019. <b>COMPLETED</b>
7. Implement recommendations of Gender Pay Gap Report action plan for 2019/20 (Senior Management Team)	The Gender Pay Gap group have reviewed the Career development survey results. There are plans in place to introduce a support network, a review of recruitment practices/vacancy advertising/training and secondment opportunities <b>(On-going).</b>
8. Implementation of LGA Peer Challenge recommendations [Senior Management Team – SMT, Political Liaison Board (PLB and Cabinet)].	LGA Peer Challenge took place in January 2020. An Initial feedback has been provided for staff. Cabinet will note the report and recommendations in March 2020. A joint action plan will be developed by SMT, PLB and Cabinet. A formal report will be issued by the LGA team in March 2020. <b>(On-going).</b>

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**FINANCE AUDIT AND RISK COMMITTEE**  
**16 March 2020**

**\*PART 1 – PUBLIC DOCUMENT**

**TITLE OF REPORT: RISK AND OPPORTUNITIES MANAGEMENT UPDATE**

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND IT

CURRENT COUNCIL PRIORITY: PROSPER AND PROTECT / RESPONSIVE AND EFFICIENT

NEW COUNCIL PRIORITY: BE A MORE WELCOMING AND INCLUSIVE COUNCIL / BUILD THRIVING AND RESILIENT COMMUNITIES / RESPOND TO CHALLENGES TO THE ENVIRONMENT / ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY / SUPPORT THE DELIVERY OF GOOD QUALITY AND AFFORDABLE HOMES

**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 review / changes to the Corporate Risks for the quarter, namely
  - Proposed changes to the Waste Risks
  - Deletion of the North Hertfordshire Museum and Town Hall project risk following sign off by Project Board.
- 2.2. That the Committee notes and recommends that Cabinet approve the proposed Risk Management Framework documents, to replace the current Policy and Strategy, in particular, the changes in approach summarised in 8.6.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1. The responsibility for ensuring the management of risks is that of Cabinet.
- 3.2. This Committee has responsibility to monitor the effective development and operation of Risk and Opportunities 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 the Senior Management Team (SMT) and the Risk Management Group (RMG). 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 contains a recommendation on a key Executive decision first notified on the Forward Plan on the 7 February 2020.

**7. BACKGROUND**

7.1. At the December meeting, the Committee noted the review of the Impact of Anti Social Behaviour on Council Facilities Risk, with no change to the Risk Score of 7. The report was approved and referred on to Cabinet. The report was subsequently approved by Cabinet.

**8. RELEVANT CONSIDERATIONS**

8.1. 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: Draft Risk and Opportunities Matrix**

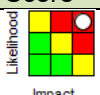

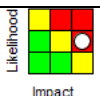



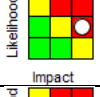


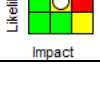
The dates specified relate to the date that officers last reviewed the risk. Risks that Officers have reviewed since the last FARC meeting have been given a direction of travel arrow



<b>Likelihood</b>	<b>3 High</b>	<b>4</b>	<b>7</b> <ul style="list-style-type: none"> <li>• Impact of Anti-Social Behaviour on Council Facilities (29.10.19)</li> <li>• Income Generation (07.10.19)</li> <li>• Sustainable Development (17.01.20) ↔</li> </ul>	<b>9</b> <ul style="list-style-type: none"> <li>• Brexit (23.12.19) ↔</li> <li>• Local Plan (17.01.20) ↔</li> <li>• Managing the Council's Finances (26.07.19)</li> <li>• <i>Waste Management, Recycling and Street Cleansing (01.08.19) – TO BE REPLACED</i></li> </ul>
	<b>2 Medium</b>	<b>2</b>	<b>5</b> <ul style="list-style-type: none"> <li>• Increased Homelessness (14.01.20) ↔</li> <li>• Workforce Planning (03.01.20) ↔</li> </ul>	<b>8</b> <ul style="list-style-type: none"> <li>• Cyber Risks (30.09.19)</li> <li>• Delivery of the Waste Collection and Street Cleansing Services Contract (28.01.20) <b>NEW</b></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 (29.07.19)</li> </ul>	<b>6</b> <ul style="list-style-type: none"> <li>• External Factors Affecting the Future Provision of Waste Services (28.01.20) <b>NEW</b></li> </ul>
		<b>1 Low</b>	<b>2 Medium Impact</b>	<b>3 High</b>

8.2. At the Risk Management Group meeting on 17 February, a review of the Waste Risks was discussed. Details of the proposed changes are included in Appendix A.

8.3. The changes consolidate the existing Waste risks into 4 risk entries – 2 Corporate Risks (CR) and 2 Service Risks (SR) – covering all current risks and linking them with the Waste Partnership Board Risk log. The table below summarises the proposals.

Existing	Score	Proposed	Score
Waste Management, Recycling and Street Cleansing (CR) Incorporating <ul style="list-style-type: none"> <li>- Staffing</li> <li>- Management and monitoring arrangements</li> <li>- Trade waste</li> <li>- Contact handling</li> <li>- Street cleansing</li> <li>- Snow and ice</li> <li>- Emerging external factors.</li> </ul>		Delivery of the Waste Collection and Street Cleansing Services Contract ( <b>CR – Risk Score changed from 9 to 8</b> ) Incorporating <ul style="list-style-type: none"> <li>- Staffing</li> <li>- Management and monitoring arrangements</li> <li>- Contact handling</li> <li>- Trade waste</li> <li>- Street cleansing</li> </ul> Deletion of Snow and Ice	
Disposal Arrangements for Waste (CR)		External Factors affecting the future provision of Waste services. ( <b>CR Risk Score changed from 8 to 6</b> )	
Sale of Recyclable Materials (CR)		Sale of Recyclable Materials ( <b>SR – Risk Score changed from 9 to 5</b> )	
Depot / Transfer Station (CR)		Deletion	-
Food and Garden Waste (CR)		Organic Waste ( <b>SR – Risk Score unchanged as 5</b> )	
Route Optimisation of Collection Rounds (CR)		Deletion	-

8.4 A review of the Risk and Opportunities Management Policy and Strategy is generally completed on an annual basis and discussed at RMG. In November 2019, SIAS undertook an audit of the Risk Management process at NHDC and the report provided Satisfactory Assurance. The report contained one Medium recommendation relating to Outlining Risk Appetite – as the existing Strategy was not clear on how the Risk appetite of the Council was defined. In addition, initial feedback from the Peer Review undertaken in January 2020 identified a general perception both internally and externally, that the Council is risk averse. In order to address this, it was felt that a more fundamental review of the Strategy and Policy should be undertaken, resulting in the draft NHDC Risk Management Framework, included as Appendix B.

8.5 An additional Framework document – providing further operational guidance for Officers, called the Toolkit and an associated E – Learning package on the Growzone are also under development.

8.6 Table 2 – Summary of Key Changes outlines the main changes in approach.

<b>Table 2</b>	<b>Proposed</b>	<b>Previously</b>	<b>Reason for change</b>
<b>Change of name / format</b>	Risk Management Framework, comprising Policy Statement, Policy, Strategy and Toolkit	Risk and Opportunities Management Strategy and Policy statement	Whilst we will always consider opportunities when they present, we do not actively record opportunities on Pentana – they are only considered as part of risk management. New framework documents outline – key principles / what you must do / how we will do it / operational manual
<b>Change of approach</b>	The aim is that Risks should always be actively managed down. Risks assessed twice - Initial risk score set. Smart actions recorded on Pentana - with owners and target dates. Target Risk score set.	Risks set with a risk score. Actions are not SMART No target risk score. Risks reviewed and scores changed if risk owner feels risk has reduced.	Risk owners will have to think about what actions they can actually take and what the impact of those actions will be. Actions can be monitored to ensure completion. Allows for more dynamic risk register. Currently risks can sit on the register with the same risk score year after year. RMG can provide a more robust challenge to the Risk score and non completed actions.
<b>Change of Approach</b>	Once risks have been managed down to their target risk score, by completion of the actions, the risk should be updated – either with new actions or consideration should be given as to whether the risk is now businesses as usual – if so – consider deleting.	No target risk score. Risks reviewed and scores changed if risk owner feels risk has reduced.	Risk owners will have to think about what actions they can actually take. Actions can be monitored to ensure completion. Allows for more dynamic risk register. Currently risks can sit on the register with the same risk score year after year. Allows the Council to concentrate efforts on risks it can do something about. RMG can provide a more robust challenge to the Risk score and whether new actions are required.
<b>Change of Approach</b>	If Risks are assessed as Green Risks – scores of 1, 2 or 3 / or have been managed down to Green – with <b>no further actions which can be taken</b> - not monitored further and proposed for deletion	No target risk score. Risks reviewed and scores changed if risk owner feels risk has reduced. Green risks are only reviewed annually.	Allows for more dynamic risk register. Currently risks can sit on the register with the same risk score year after year. Allows the Council to concentrate efforts on risks it can do something about. If risks re –emerge new actions will be required, and

			risk will be monitored at that point.
<b>Scoring Matrix</b>	Likelihood 1 – less than 20% likelihood 2 – between 20% and 60% Likelihood 3 – Greater than 60% Likelihood	1 – unlikely in the next 12 months 2 – possible in the next 12 months 3 – likely in the next 12 months	% actively splits the scoring – e.g. the current unlikely / possible / likely can be difficult to choose between.
<b>Scoring Matrix</b>	Impact 1 – consequences minor and associated losses will be small 2 – Will have a noticeable effect on services 3 – Can have a significant impact on services	1 – consequences will not be severe and associated losses will be small 2 – will have a noticeable effect on services 3 – can have a catastrophic effect	Catastrophic too severe. E.g. Currently failure of the waste contract would fall under “Likely in the next 12 months to have a catastrophic effect “(which is hopefully (!) not the case)

## 9. LEGAL IMPLICATIONS

- 9.1. The Committee’s Terms of Reference include monitoring the effective development and operation of risk management and corporate governance, agreeing actions (where appropriate) and making recommendations to Cabinet. This report gives the Committee the opportunity to review and comment on the high-level risks and how it is proposed they are managed.

## 10. FINANCIAL IMPLICATIONS

- 10.1 There are no direct financial implications arising from this report. However, it should be noted that there is a separate Corporate risk relating to Managing the Councils Finances.

## 11. RISK IMPLICATIONS

- 11.1. The Risk and Opportunities Management Strategy requires the Finance Audit and Risk Committee to consider regular reports on the Councils 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 assurance to Cabinet that the Councils 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 Councils risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risk 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" requirements do not apply to this report.

### **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1. There are no direct human resource implications relating to this report, but it should be noted that there is a separate Corporate risk relating to Workforce Planning.

### **15. APPENDICES**

- 15.1. Appendix A – Proposed changes to the Waste Risks  
Appendix B – Risk Management Framework

### **16. CONTACT OFFICERS**

- 16.1. Rachel Cooper, Controls, Risk & Performance Manager  
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### **17. BACKGROUND PAPERS**

- 17.1. The risks held on Pentana, the Councils Performance and Risk Management software.  
17.2. Audit report

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## Revised Waste Risks

Updated: February 2020



In November 2019, the Risk Management Group approved proposals for changing the existing Waste risks, in order to ensure that they focussed on and clearly defined the main operational and strategic risks facing the service. The group reviewed the relevant changes at its next meeting in February 2020.

Below is a summary of these changes, along with details of the new and retained risk entries.

There are four risk entries in total:

- **Delivery of the Waste Collection and Street Cleansing Services Contract (Corporate Risk)** – This covers the previously highlighted risks relating to Staffing, Management and Monitoring Arrangements, Contact Handling, Street Cleansing and Trade Waste.
- **External Factors Affecting the Future Provision of Waste Services (Corporate Risk)** – This covers the previously highlighted risks relating to Disposal Arrangements for Waste (Northern Transfer Station) and Emerging External Factors.
- **Sale of Recyclable Materials (Operational Risk)** – This is an updated version of the existing risk entry.
- **Organic Waste (Operational Risk)** – This is an updated and retitled version of the existing Food and Garden Waste risk entry.

### Deleted Risks


- **Snow and Ice** – Officers scored this risk, highlighted in the previous overarching Corporate Risk, as Low in terms of both likelihood and impact. Officers have implemented updated processes relating to the relevant duties. Although there will always be a risk of claims for personal injury/property damage, officers believe that this has been managed to an appropriate level.
- **Depot and Recycling Material Transfer Station (Buntingford)** – The main risks relating to the Buntingford site were the failure to secure the Environment Agency permit and the failure to agree a cost-effective alternative to a fire suppression system. Both of these risks have been managed to a successful conclusion. Updated risk assessments and business continuity plans have been developed to manage the residual risk of losing operational use of the site due to fire, health and safety incidents etc. The risks relating to EHDC's decision to direct residual waste into the site are solely its responsibility, although it is referenced in the new contract delivery Corporate Risk, as a possible cause for problems delivering the contract.
- **Route Optimisation of Collection Rounds** - Implementation of the initial Phase 2 changes was completed and following the Cabinet decision on 30 July 2019 to retain the existing weekly collection of residual waste from multi occupancy properties, the risks associated with a change to fortnightly collections were removed. Although NHDC continues to work with the contractor to resolve associated residual issues as a business as usual activity, the significant risks relating to the service changes are no longer there.

Revised Waste Risks

<b>Risk Code</b>	CR66.01	<b>Risk Title</b>	Delivery of the Waste Collection and Street Cleansing Services Contract
<b>Risk Owner</b>	Vaughan Watson	<b>Updated By</b>	Chloe Hipwood
<b>Year Identified</b>	2019	<b>Corporate Priority</b>	Respond to challenges to the environment
<b>Risk Description</b>	<p>Waste management and recycling is the highest profile service that affects every resident of the district and it is the most significant service delivered by NHDC. NHDC is the lead authority for the joint waste contract with East Hertfordshire District Council (EHDC).</p> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>- The contractor could fail to collect kerbside waste in line with the relevant specifications.</li> <li>- The contractor could fail to collect commercial waste in line with the relevant specifications.</li> <li>- The contractor could fail to maintain the cleanliness of streets to the levels specified.</li> <li>- The contractor's contact centre (systems/staff) could fail to manage the volume of customer contacts effectively.</li> <li>- NHDC could fail to identify service deficiencies and to apply appropriate penalties.</li> </ul> <p><b>This could lead to:</b></p> <ul style="list-style-type: none"> <li>- NHDC not achieving best value from the contract.</li> <li>- Waste accumulating for residents/businesses.</li> <li>- An increase in complaints from residents.</li> <li>- Residents not taking up or renewing the chargeable garden waste service.</li> <li>- Businesses not taking up or renewing the chargeable trade waste service.</li> <li>- Payments not being received for justified performance penalties.</li> </ul> <p><b>Possible causes:</b></p> <ul style="list-style-type: none"> <li>- Issues with the implementation of new and revised services.</li> <li>- Contractor's staffing levels being below required levels.</li> <li>- Industrial action.</li> <li>- Staffing of the NHDC client team being below required levels.</li> <li>- High volume of customer contacts received during service changes.</li> <li>- Due to the closure of the Westmill landfill site, EHDC directing its residual waste via the Buntingford depot.</li> </ul>		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- Achieving value for money through the effective management and operation of the Waste Collection and Street Cleansing Services contract, with minimal service issues and public complaints.</li> </ul>		
<b>Consequences</b>	<ul style="list-style-type: none"> <li>- Damage to NHDC's reputation.</li> <li>- Poor performance against associated targets.</li> <li>- Relevant budgets not achieved.</li> <li>- Possible environmental hazards and health implications to the public relating to the accumulation of waste.</li> </ul>		
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- New telephone system installed and waste related calls directed to Urbaser (November 2018).</li> <li>- Implemented contingency measures to deal with the high number of customer contacts relating to the renewal of the garden waste collection service.</li> <li>- Inter Authority Agreement agreed and signed.</li> <li>- Clarified NHDC, EHDC and contractor responsibilities and formalised contractual arrangements.</li> <li>- SIAS audit of the Joint Waste Contract reported July 2019.</li> <li>- Following on from the high priority SIAS audit recommendation, all 64 criteria within the Performance Monitoring Regime (PMR) are now live and operational for the Urbaser contract.</li> <li>- Full establishment of staff appointed with additional temporary staff employed to meet the current challenges (August 2019).</li> <li>- Business Continuity Plans in place to implement necessary resilience arrangements, if required.</li> </ul>		
<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>- Implementing a sustainable joint work programme, approved by the Partnership Board.</li> <li>- Monitoring performance of the contractor's contact centre and providing support to enable it to meet expectations.</li> <li>- Embedding the recently implemented PMR.</li> <li>- Ongoing discussions with Urbaser regarding performance levels.</li> <li>- Developing plans with EHDC to achieve more consistency and collaboration regarding commercial waste, which will lead to increased efficiencies.</li> </ul>		




Revised Waste Risks

<b>Current Impact Score</b>	3	<b>Current Likelihood Score</b>	2
<b>Overall Risk Score</b>	8	<b>Current Risk Matrix</b>	
<b>Date Reviewed</b>	28 January 2020	<b>Next Review Date</b>	28 May 2020
<b>Latest Note</b>	<p>In November 2019, the Risk Management Group (RMG) approved proposals for changing the existing Waste risks. This new risk entry, reviewed and approved by the RMG in February 2020, covers the previously highlighted risks relating to Staffing, Management and Monitoring Arrangements, Contact Handling, Street Cleansing and Trade Waste. It focuses on the operational effectiveness of the contractor and the potential high-profile impacts on residents, businesses and the Council's reputation. It will be a Corporate Risk and the current risk score, with a Medium likelihood, reflects improvements in service provision and the positive direction of travel of performance in recent months.</p>		


Revised Waste Risks

Risk Code	CR66.02	Risk Title	External Factors Affecting the Future Provision of Waste Services
Risk Owner	Vaughan Watson	Updated By	Chloe Hipwood
Year Identified	2019	Corporate Priority	Respond to challenges to the environment
Risk Description	<p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>- Post 2024, HCC could direct NHDC residual waste to transfer facilities outside of the district or directly to landfill sites.</li> </ul> <p><b>This could lead to:</b></p> <ul style="list-style-type: none"> <li>- Significant increased costs to NHDC, e.g. additional transport costs.</li> <li>- Significant increased vehicle emissions and environmental impact of service delivery.</li> </ul> <p><b>Possible causes:</b></p> <ul style="list-style-type: none"> <li>- HCC not continuing to operate a residual waste transfer solution for NHDC collected waste from the Bury Mead, Hitchin Transfer Station when the current contract ends in 2024.</li> </ul> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>- NHDC could be forced to change its preferred service delivery models and charging regimes.</li> </ul> <p><b>This could lead to:</b></p> <ul style="list-style-type: none"> <li>- Associated costs to implement the changes required.</li> <li>- Loss of income from current chargeable services.</li> <li>- Services being designed to meet budget restrictions and not focussing on the achievement of waste minimisation objectives.</li> </ul> <p><b>Possible causes:</b></p> <ul style="list-style-type: none"> <li>- New emerging Government strategies coming into force, e.g. national consistency of services, free garden waste collections and a circular economy to promote sustainable production.</li> <li>- Further reductions to HCC's Alternative Funding Model (AFM), beyond the approved £500K per annum reduction over a three-year period commencing in 2020/21.</li> </ul>		
Opportunities	<ul style="list-style-type: none"> <li>- Minimising transport costs and the environmental impact of service delivery.</li> <li>- Consolidating existing facilities, i.e. transfer station for residual waste and Letchworth HWRC, by working with HCC and other Hertfordshire authorities to develop a Northern Transfer Station.</li> <li>- Partnership working for other services, resulting in shared costs and economies of scale.</li> <li>- Improving operational efficiencies.</li> <li>- Achieving waste minimisation objectives.</li> </ul>		
Consequences	<ul style="list-style-type: none"> <li>- Negative impact on the Council's overall financial position.</li> <li>- Negative impact on the local environment and the achievement of NHDC's Climate Change objectives.</li> </ul>		
Work Completed	<p><u>Transfer of Residual Waste</u></p> <ul style="list-style-type: none"> <li>- Worked with HCC in identifying suitable locations for a Northern Transfer Station and possible Stevenage/North Herts location aborted due to planning restrictions.</li> <li>- Contract let by HCC for continuation of transfer until March 2024.</li> <li>- NHDC accepting a Royalty payment based on commercial activity at the site, to ensure the medium-term availability of the site.</li> <li>- Bury Mead contaminated land investigations undertaken with contractor</li> <li>- HCC and NHDC undertook a feasibility study (approximately four years ago) for a Northern Transfer Station and joint depot facility for East and North Hertfordshire. However, the successful operation of the Buntingford depot and the continued use of the Works Road, Letchworth depot significantly reduced the associated risks and the need for a new joint depot facility.</li> </ul> <p><u>Preferred Service Delivery Models</u></p> <ul style="list-style-type: none"> <li>- NHDC's new waste contract significantly improved performance in relation to AFM (an increase of £180K per year in 2018/19). The current Medium Term Financial Strategy was calculated on the lower base figure. Therefore, the £1.5M of AFM savings HCC made in 2019 should have no negative impact on the current MTFs or service provision.</li> </ul>		

Revised Waste Risks

<p><b>Ongoing Work</b></p>	<p><u>Transfer of Residual Waste</u>                      - Working with and supporting HCC to identify the most effective solution for a potential Northern Transfer Station for residual waste collections and improved Household Waste Recycling Centre facilities for Letchworth.  <u>Preferred Service Delivery Models</u>                      - Representations through feedback to the government consultation process on emerging strategies. Responded that any proposed new initiatives (e.g. free garden waste collections (which could result in a loss of revenue of approximately £1M per year) and weekly food waste collections for all collection authorities in the country) needed to be funded fully by the government.                      - The expectation would be that Central Government would recompense NHDC, under New Burdens doctrine, for any mandated changes to charging regimes or collections.                      - Working closely with the HWP to ensure a consistent and coherent approach to consultation responses and to maintain positive partnership working in light of reduced AFM funding.</p>		
<p><b>Current Impact Score</b></p>	<p>3</p>	<p><b>Current Likelihood Score</b></p>	<p>1</p>
<p><b>Overall Risk Score</b></p>	<p>6</p>	<p><b>Current Risk Matrix</b></p>	
<p><b>Date Reviewed</b></p>	<p>28 January 2020</p>	<p><b>Next Review Date</b></p>	<p>28 May 2020</p>
<p><b>Latest Note</b></p>	<p>In November 2019, the Risk Management Group (RMG) approved proposals for changing the existing Waste risks. This new risk entry, reviewed and approved by the RMG in February 2020, covers the previously highlighted risks relating to Disposal Arrangements for Waste (Northern Transfer Station) and Emerging External Factors. It will be a Corporate Risk in view of its strategic nature and the long lead-in times required to manage the risks effectively. These are mid to long-term risks and are currently assessed as unlikely, although the impact would be high if they did materialise.</p>		

Revised Waste Risks

<b>Risk Code</b>	RR569	<b>Risk Title</b>	Sale of Recyclable Materials
<b>Risk Owner</b>	Vaughan Watson	<b>Updated By</b>	Chloe Hipwood
<b>Year Identified</b>	2015	<b>Corporate Priority</b>	Respond to challenges to the environment
<b>Risk Description</b>	<p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>- There is an increase in the net cost for processing materials.</li> <li>- There is an increase in relevant contract values at renewal.</li> <li>- The contractor rejects loads that are considered contaminated.</li> </ul> <p><b>This could lead to:</b></p> <ul style="list-style-type: none"> <li>- A significant financial loss to NHDC.</li> <li>- A stockpile of plastic waste.</li> <li>- Damage to NHDC's reputation linked to the lack of associated end markets for materials.</li> <li>- Material that could be recycled going to landfill or for incineration.</li> </ul> <p><b>Possible causes:</b></p> <ul style="list-style-type: none"> <li>- Increasing supply and lack of market demand for materials.</li> <li>- Lack of competition.</li> <li>- Impact of China's restrictions on plastics for recycling/Brexit.</li> <li>- Reduction in price for commingled material and paper.</li> <li>- Increased contamination of materials.</li> <li>- A change in the composition of materials collected.</li> <li>- Reduction in volume of recyclates collected.</li> </ul>		
<b>Opportunities</b>	- NHDC obtains maximum income for all materials it has collected for recycling.		
<b>Consequences</b>	<ul style="list-style-type: none"> <li>- There is a negative impact on the Council's General Fund.</li> <li>- NHDC may have to cut services to meet any associated shortfall.</li> <li>- Material that could be recycled goes to landfill or for incineration.</li> <li>- Negative press coverage relating to service efficiency/final destination of materials.</li> </ul>		
<b>Work Completed</b>	<ul style="list-style-type: none"> <li>- NHDC is part of a consortium for paper with other Hertfordshire authorities.</li> <li>- Site visits to monitor contamination.</li> <li>- Requests for data on material composition.</li> <li>- Promotional campaigns to reduce contamination and increase the quality of materials.</li> <li>- New paper contract procured as HWP started in January 2017.</li> <li>- New contract procured jointly with EHDC started in May 2018.</li> <li>- Developed BCP for Lot 2 contract.</li> <li>- £130K risk realised in Q1 2018/19 and permanent adjustment made to budget.</li> <li>- Financial risk identified for 2019/20, "Increase in the net cost of recycling services due to either or all of; adverse changes in the market prices for commodities; a reduction in the volume of recyclates collected; a change in the material composition of the recyclates collected" (High/£100K) and retained for 2020/21.</li> <li>- Forecast shortfall in income from paper collected for recycling reported in the second quarter 2019/20 revenue monitoring report.</li> <li>- New consortium contract for paper agreed with Palm (March 2020 – May 2021); although the agreed rate is substantially lower than the previous rate, it is significantly higher than the current market value.</li> </ul>		
<b>Ongoing Work</b>	<ul style="list-style-type: none"> <li>- Joint procurement of contracts reduces risk exposure.</li> <li>- Impact on budget continually monitored and reviewed throughout the year.</li> <li>- Monthly review of market price fluctuations.</li> <li>- Contractor established alternative markets for materials and can stockpile baled materials.</li> <li>- Working with Pearce and Urbaser regarding the quality of materials collected.</li> </ul>		
<b>Current Impact Score</b>	2	<b>Current Likelihood Score</b>	2
<b>Overall Risk Score</b>	5	<b>Current Risk Matrix</b>	


Revised Waste Risks

<b>Date Reviewed</b>	28 January 2020	<b>Next Review Date</b>	28 May 2020
<b>Latest Note</b>	<p>In November 2019, the Risk Management Group (RMG) approved proposals for changing the existing Waste risks. This existing risk entry, reviewed and approved by the RMG in February 2020, will be retained as an operational risk and the latest update includes the re-rendering of the paper contract and the decreasing tonnages/value of this material, which was reported in the second quarter revenue monitoring report. This risk has effectively materialised and remains ongoing. The overall risk score has been assessed as Medium, as although there is a low likelihood of a high impact, there is a greater likelihood of a low/medium impact.</p>		

Revised Waste Risks

<b>Risk Code</b>	RR570	<b>Risk Title</b>	Organic Waste
<b>Risk Owner</b>	Vaughan Watson	<b>Updated By</b>	Chloe Hipwood
<b>Year Identified</b>	2018	<b>Corporate Priority</b>	Respond to challenges to the environment
<b>Risk Description</b>	<p>On 16 October 2017, Cabinet approved the introduction of weekly food waste collections and a chargeable garden waste collection service for the new contract, which commenced on 9 May 2018.</p> <p><b>There is a risk that:</b></p> <ul style="list-style-type: none"> <li>- The contractor has problems delivering the garden waste collection service, i.e. ensuring residents that have paid have their waste collected and that residents that have not paid do not.</li> <li>- Residents fail to utilise the food waste caddies and dispose of food waste in their purple bins.</li> <li>- NHDC fails to maintain the required number of residents paying for the chargeable garden waste collection service and to ensure concessionary rates are claimed correctly.</li> <li>- Residents dispose of garden waste by inappropriate means, i.e. fly-tipping.</li> <li>- The service fails to implement the necessary arrangements for the introduction of concessionary rates and direct debit payments, both of which could happen at the same time, and/or fails to have a payment system at all in time for renewals.</li> </ul> <p><b>This could lead to:</b></p> <ul style="list-style-type: none"> <li>- NHDC not achieving the income figures specified in the budget.</li> <li>- Reduced performance (increased residual waste and decreased recycling rate).</li> <li>- Increased incidents of fly-tipping.</li> <li>- A high number of complaints and negative press coverage.</li> <li>- Customer contact centres being unable to cope with a high volume of calls.</li> <li>- Possible increased costs and negative impact on future AFM payments.</li> </ul> <p><b>Possible causes:</b></p> <ul style="list-style-type: none"> <li>- Residents failing to use the permit stickers provided.</li> <li>- Residents unawareness of the benefits of recycling food waste.</li> <li>- Residents being unwilling to pay the £40 per year charge due to a perceived lack of service value.</li> <li>- Problems with the payment/renewal process and transfer of data to the operating system.</li> <li>- Limited resources/time to progress the potentially complex projects of introducing concessionary rates and direct debit payments.</li> <li>- Urbaser having to appoint a new provider for a web payment portal that can incorporate a two-tier payment system and direct debits.</li> </ul>		
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>- NHDC maximises take up of the chargeable garden waste collection service and the associated income.</li> <li>- The amount of food waste collected in caddies increases.</li> </ul>		
<b>Consequences</b>	<ul style="list-style-type: none"> <li>- Recycling performance reduces closer to the legislative requirement of 50%.</li> <li>- Anticipated savings are not realised.</li> <li>- Negative impact on NHDC's finances.</li> <li>- Damage to NHDC's reputation.</li> <li>- Re-assessing the implementation/timing of concessionary rates and direct debit payments.</li> </ul>		

Revised Waste Risks

<p><b>Work Completed</b></p>	<ul style="list-style-type: none"> <li>- Cabinet approval for service changes (October 2017).</li> <li>- Contract mobilised.</li> <li>- Over 40% take up of the garden waste collection service at contract commencement, which increased to 54% by the end of 2018/19.</li> <li>- Urbaser installed new telephone system and increased the size of its contact centre, to improve the level of customer service provided.</li> <li>- Data cleansing exercise completed to address issues with data transfer to the operating system, which resulted in the initial collection issues and high number of complaints.</li> <li>- Communicated improvements to service delivery and resolved remaining implementation issues.</li> <li>- On 20 November 2018, Cabinet agreed initiatives that acknowledged the service disruption experienced by residents:             <ul style="list-style-type: none"> <li>-- Three-month extension to current payment period for garden waste (loss of income approximately £290K).</li> <li>-- Provision of a free roll of compostable liners to all households (cost approximately £30K).</li> </ul> </li> <li>- Reconciliation process completed for 2018/19 relating to payments received and number of collections.</li> <li>- For second year, introduced a permit scheme to improve control/enforcement of service provision.</li> <li>- Extended the deadline for re-subscribing to the service.</li> <li>- Implemented NHDC contingency measures to deal with the high volume of customers contacting NHDC/Urbaser regarding renewal.</li> <li>- Report presented to Cabinet on 28 January 2020 regarding implementing concessionary rates and direct debits.</li> </ul>		
<p><b>Ongoing Work</b></p>	<ul style="list-style-type: none"> <li>- Monitoring service performance.</li> <li>- Continue to monitor the impact on fly-tipping.</li> <li>- 50.6% (26,167) re-subscribed to the service at the end of December 2019.</li> <li>- Reconciliation process in place relating to payments received and number of collections.</li> <li>- Working closely with Urbaser regarding a new web payment portal provider and preparations for the introduction of a direct debit option for payments and the introduction of concessionary rates.</li> <li>- The service provider for garden waste charging has changed and currently tests are being undertaken to ensure their ability to deliver the quality of service expected and to implement the two new aspects (direct debits and concessionary rates). It has already been identified that cash payments for concessionary charges cannot be provided due to limitations on kiosk payments and only online or phone payments will be accepted.</li> <li>- Plans to include a soft launch of both new initiatives, including a phased renewal period to mitigate the risk of high call volumes.</li> <li>- Planning communications to encourage customers to use online payment options in the future (channel shift).</li> <li>- Ongoing communications relating to food and garden waste.</li> <li>- Composition analysis of residual waste scheduled for February 2020.</li> </ul>		
<p><b>Current Impact Score</b></p>	2	<p><b>Current Likelihood Score</b></p>	2
<p><b>Overall Risk Score</b></p>	5	<p><b>Current Risk Matrix</b></p>	
<p><b>Date Reviewed</b></p>	28 January 2020	<p><b>Next Review Date</b></p>	28 May 2020

## Revised Waste Risks

<b>Latest Note</b>	<p>In November 2019, the Risk Management Group (RMG) approved proposals for changing the existing Waste risks. This existing risk entry, reviewed and approved by the RMG in February 2020, will be retained as an operational risk and it has been updated and retitled Organic Waste. For garden waste, the originally identified risks related to the introduction and commencement of the new chargeable service and in the main, they are no longer relevant. NHDC has now also gone through the first service renewal process. The updated risk now highlights the risks relating to the introduction and management of concessionary rates and the introduction of direct debits. The main risk relates to implementing/testing a new payment system that can deliver the two new initiatives within a relatively short timeframe. For food waste, the main risk relates to residents failing to utilise caddies and continuing to dispose of food waste in purple bins. A composition analysis is scheduled for February 2020, in order to identify how residents are disposing of their waste. In view of the environmental impact, this risk remains part of the combined Organic Waste risk entry.</p>
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**RISK MANAGEMENT FRAMEWORK – PART 1 – POLICY STATEMENT (The Key Principles)**

North Hertfordshire District Council will be a risk aware Council that understands the risks that it is taking on. It appreciates that there are going to be risks in everything it does, but these are increased when undertaking projects, changing the way it delivers services and acting more commercially. It will address the risks it faces by adopting a risk aware culture and having strong risk management processes.

The Council will develop processes that allow it to focus on the significant risks it faces and ensure that undue time is not spent on low level risks and risks that have been effectively managed.

This leads to the following key principles:

**Principles**

- 1 - We will support a culture of well measured risk taking throughout the Council's business.
- 2 - We will not avoid risk, but will identify and document key risks in all areas of our business, understand them and seek to proactively manage them. In managing risks, Opportunities may present themselves. These will always be considered and acted on where appropriate.
- 3 - We will assess each risk, identify existing controls and identify if further actions are required to reduce the risk. Where a risk is at a low level or has been managed down to a low level, then the risk will fall into business as usual and the risk entry will be archived. This allows actions and monitoring to be focused on higher level risks.
- 4 - We acknowledge that even with good risk management, things will still sometimes go wrong. Where this happens, we will use lessons learned to try to prevent it from happening again. We will have Business Continuity Plans in place for each of our Service areas, which identify the key functions, what the risks are and how they can be mitigated to allow them to continue operating.
- 5 - We will develop capacity and skills in identifying, understanding and managing the risks facing the Council.
- 6 - We will challenge the Risk Management Process through the use of the Risk Management Group and the Finance Audit and Risk Committee.
- 7 - We will regularly review the Risk Management Framework and update in line with statutory and best practice requirements.

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**RISK MANAGEMENT FRAMEWORK – PART 2 – POLICY (What you must do)**

<b>This policy applies to:</b>	
Members	Yes
Officers	Yes
Managers	Yes

Officers / Managers - You Must:

- Consider Risk Management as an integral part of your job;
- Read and follow the guidelines in the Risk Management Framework documents;
- Identify and record any threats relating to service delivery in your own area.

Risk Owners – You Must:

- Record Risks on Pentana Risk;
- Review existing Risks in line with the Framework requirements;
- Ensure actions are updated and completed;
- Ensure Risks are proposed for archiving /deletion when no longer required.
- Update Business Continuity Plans where relevant.

Members – You Must:

- Support and promote an effective Risk Management culture;
- Constructively review and scrutinise the Risks involved in delivering the Council’s objectives;
- Ensure the Risk Management objectives are aligned with the objectives and strategies of the Council.

**Policy author and further advice from:** Rachel Cooper, Controls, Risk and Performance Manager.

Contents:

1. Definitions
2. Purpose of Policy
3. Identification and Assessment of Risk
4. Monitoring and Reviewing Risks
5. Promotion and Scrutiny of the Risk Management Process
6. Linked Policies and Procedures
7. Communication and Training

**1. Definitions**

**Risk** - Something that may have an impact on the achievement of our objectives. This could be an opportunity as well as a threat.

**Risk Management** - The “systematic application of principles, approach and processes to the identification, assessment and monitoring of Risks.”

**Risk Owner** – Responsible Officer to whom a Risk is assigned. Provides assurance that the Risks for which they are the Risk Owner are being effectively managed, allocating appropriate resources and importance to the process, confirming the existence and effectiveness of existing actions and ensuring further actions are implemented.

## **2. Purpose of Policy**

2.1 Good Risk Management supports and enhances the decision making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly to new pressures and Opportunities. Managers need to consider Risk Management as an integral part of their job and the Senior Management Team (SMT) and Cabinet must keep the Corporate Risks faced by NHDC under regular strategic review.

2.2 Part 1 of the Risk Management Framework (the Framework) – the Policy Statement, sets out the seven principles underpinning how we will undertake Risk Management at North Hertfordshire District Council.

2.3 Part 2 – the Policy, aims to ensure that Risk Management is undertaken in a consistent and effective manner through the Council, with Risks that are well documented, reported and understood. It highlights responsibilities and roles within the process.

2.4 North Hertfordshire District Council is committed to the proactive identification and management of key external and internal Risks, which may affect the delivery of our objectives. This will allow us to be a Risk aware Council, who understands that Risks may increase as services evolve and we undertake more commercial activities.

The Framework is designed to ensure consistent management of Risk and provides more detailed guidance for users. The Framework will be regularly updated to ensure we are in line with regulatory and best practice requirements.

## **3. Identification and Assessment of Risk**

3.1 It is the responsibility of all Managers and Officers to identify and document key Risks within their service areas, which may affect the achievement of the Council's objectives.

3.2 When risks have been identified, they must be recorded and assessed using the Council's Risk Management software, Pentana Risk.

3.3 All Risks should be assessed in line with the requirements of the Framework, assigning an initial Risk Score, and taking into account any existing controls which may be in place.

3.4 Each Risk must be assigned to a Risk Owner, who takes responsibility for the risk. This should be someone who has the authority to ensure that required actions are carried out.

3.5 A set of mitigating controls or actions must be identified, with timescales for completion. All actions should be SMART (specific, measurable, achievable, realistic and timely). The Risk should be assessed for a second time, taking the effect of the actions into account. This will become the Target Risk Score and will form the basis of the ongoing Risk monitoring.

3.6 Whilst assessing and managing the Risk, Officers should also consider and act on any Opportunities which may present themselves. Further guidance on how to consider Opportunities is provided within the Framework Part 4 - Toolkit.

3.7 Officers must ensure that the Business Continuity Plan for the Service area is updated with any new risks, including how they can be mitigated to allow any key functions to consider operating.

#### **4. Monitoring and Reviewing Risks**

4.1 Once identified and recorded, Risks must be proactively managed by the Risk Owner. It is important that the Risk Register is dynamic – new Risks added as they arise and Risks removed when they have been managed down to an appropriate level.

It is the Council's Policy to focus its resources on monitoring Risks which, because of their likelihood or impact, make them priorities. These are the Risks which score 4 or above on the Risk Matrix.

4.2 Risk Owners must review their Risks in line with the requirements of the Framework. Reminders will be issued automatically from Pentana Risk when reviews of risks are due.

4.3 Actions must be updated once completed, and the Risk assessed to see whether the Target Risk Score has been achieved. Further actions should be added if required.

4.4 When deemed appropriate, the Risk Owner should propose the deletion of any low level Risks scoring 3 or below which are no longer relevant and any Risks which they consider to have been managed down to "Business as Usual" should be proposed for archiving. They must also review the Business Continuity Plan for the Service area and update with any changes which may be required following archiving / deletion of the Risk.

#### **5. Promotion and Scrutiny of the Risk Management Process**

5.1 SMT and Cabinet will support a culture of well measured Risk taking throughout the Council's business, by embedding Risk Management in our corporate business processes including strategic planning, corporate business planning, policy making and review, performance management and key partnerships.

5.2 All Managers and Members must consider Risk as an integral part of business planning, service delivery, key decision making processes, and project and partnership governance.

5.2 Business Continuity Plans must be maintained for each service area, identifying the key functions in a service, what the risks are and how they can be mitigated to allow key functions to continue.

5.3 All Committee reports must contain a Risk Implications section, summarising the Risks the decision maker has to consider.

5.4 Members must constructively review and scrutinise the Risks to ensure they have been adequately considered, to enable delivery of the Councils objectives.

5.5 All new, changed and proposed archiving or deletions of Operational Risks, must be reviewed by the Risk Management Group (RMG) and SMT prior to the changes to Pentana Risk being finalised

5.6 Any changes to Corporate Risks and the Risk Management Framework must be reviewed by RMG, SMT and Finance Audit and Risk Committee (FARC) before being approved by Cabinet.

5.7 Members of RMG and FARC are responsible for ensuring the Risk Management process is aligned to the Council's objectives, challenging the process where appropriate and making recommendations to Cabinet.

## **6. Linked Policies and Procedures**

6.1 Everyone is required to adhere to all Council policies, procedures and processes. The Risk Management Framework consists of four documents and all Officers, Managers and Members should ensure they have a good understanding of their Risk responsibilities.

Risk Management Framework – Part 1 – Policy Statement (The Key Principles)

Risk Management Framework – Part 2 – Policy (What you must do)

Risk Management Framework – Part 3 – Strategy (How we will do it)

Risk Management Framework – Part 4 – Toolkit (Operational guidance)

## **7. Communication and Training**

7.1 The Council is committed to making training available to everyone. We will increase understanding and expertise in Risk Management through targeted training and the sharing of good practice and lessons learned. Training is available via e-learning on the Growzone, with further training available from the Controls, Risk and Performance Team on request. Some of this training may be deemed to be mandatory. Managers should identify and arrange any training that their staff require. All officers should also request training on any areas that they are uncertain about.

7.2 A Toolkit is provided as part of the Risk Management Framework, which provides practical guidance on the use of Pentana Risk and all the associated tasks to be undertaken.

Risk Management E – Learning – Growzone

Risk Management page on the Intranet

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## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### RISK MANAGEMENT FRAMEWORK

#### PART 3 – STRATEGY (How we will do it)

North Hertfordshire's Risk Management Framework is outlined within 4 key documents.

**Part 1 – Risk Management Policy Statement** - sets out the Council's commitment to the proactive management of external and internal risks within 7 key principles. In order to ensure we can meet those principles, a number of objectives have to be achieved.

- 1 Maintenance of a robust and consistent Risk Management approach.
- 2 Considering any Opportunities which may present themselves whilst managing Risks.
- 3 Ensuring accountability and roles and responsibility for managing Risks are clearly defined and communicated.
- 4 Considering Risk as an integral part of business planning, service delivery, key decision making and project and partnership governance.
- 5 Communicating Risk information effectively through a clear reporting framework.
- 6 Increasing understanding and expertise in Risk Management through targeted training and the sharing of good practice.

**Part 3 -The Strategy** provides more detail on how the Council intends to ensure these objectives are met.

#### 1 – Maintenance of a robust and consistent Risk Management approach

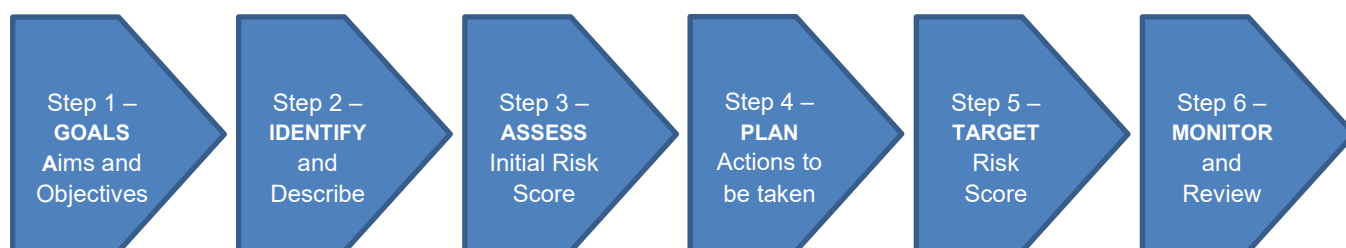
The objectives of the Risk Management Approach are to meet the 7 principles outlined in Part 1 – the Policy Statement.:

- We will support a culture of well measured risk taking throughout the Council's business.
- We will not avoid risk, but will identify and document key risks in all areas of our business, understand them and seek to proactively manage them. In managing risks, Opportunities may present themselves. These will always be considered and acted on where appropriate.
- We will assess each risk, identifying existing controls and identify if further actions are required to reduce the risk. Where a risk is at a low level or has been managed down to a low level, then the risk will fall into business as usual and the risk entry will be archived. This allows actions and monitoring to be focused on higher risk levels.
- We acknowledge that even with good risk management, things will sometimes go wrong. Where this happens, we will use lessons learned to try to prevent it from happening again. We will have Business Continuity Plans in place for each of our Service areas, which identify the key functions, what the risks are and how they can be mitigated to allow them to continue operating.
- We will develop capacity and skills in identifying, understanding and managing the risks facing the Council.
- We will challenge the Risk Management Process through the use of the Risk Management Group and the Finance Audit and Risk Committee.

- We will regularly review the Risk Management Framework and update in line with statutory and best practice requirements.

Good risk management supports and enhances the decision making process, increasing the likelihood of the Council meeting its objectives and enabling it to respond quickly to new pressures and opportunities. Managers need to consider risk management as an integral part of their job and the Senior Management Team and Cabinet must keep the Corporate Risks faced by NHDC under regular strategic review.

The following 6 steps are used by the Council in managing its risks:



### Step 1 – Identify NHDC Aims and Objectives

Before we can start to identify Risks, we will establish context by looking at **what we are trying to achieve** and what our proposed outcomes are. These objectives will usually be detailed in existing documents, such as

- The Council Plan
- Service Plans
- Project Initiation Documents
- Partnership Agreements

### Step 2 – Identify and Describe the Risk –What stops us from achieving objectives?

There are many different types of risks that we should consider, the main one should be selected.

Type of Risk	Example
<b>Strategic</b>	<ul style="list-style-type: none"> <li>- Delivery of the key objectives of the Council</li> <li>- New political arrangements</li> <li>- Changes to Government policy</li> </ul>
<b>Operational</b>	<ul style="list-style-type: none"> <li>- Delivery and efficiency of services, specifically around day-to-day work</li> <li>- New initiatives, ways of working and relationships with partners</li> <li>- Monitoring arrangements</li> <li>- Levels of service usage</li> <li>- day to day management of buildings</li> </ul>

<b>Information</b>	<ul style="list-style-type: none"> <li>- Accuracy of data, systems or reported information</li> <li>- Appropriate transfer and sharing of data</li> <li>- Security of data and systems</li> <li>- Management and control of knowledge resources, e.g. the retirement of a key member of staff</li> </ul>
<b>Reputation</b>	<ul style="list-style-type: none"> <li>- The Council's brand or image</li> <li>- Customer experience</li> <li>- Negative publicity</li> <li>- Levels of complaints</li> <li>- Levels of public confidence and participation</li> </ul>
<b>Financial</b>	<ul style="list-style-type: none"> <li>- Acceptance of liabilities</li> <li>- Levels of funding</li> <li>- Levels of income</li> <li>- Losses by fraud / corruption</li> <li>- Adequacy of insurance cover</li> <li>- Availability of funds to deliver services / projects</li> </ul>
<b>People</b>	<ul style="list-style-type: none"> <li>- Employees, e.g. recruitment and managing change</li> <li>- Management, e.g. communication / consultation and business continuity / emergency planning arrangements</li> <li>- The public, stakeholders and partners, e.g. changing needs / expectations, inequalities and safeguarding</li> <li>- Delivery of services to minority and disadvantaged groups</li> </ul>
<b>Regulatory</b>	<ul style="list-style-type: none"> <li>- Adherence to regulatory environments and compliance regimes</li> <li>- Legislation, e.g. Health &amp; Safety at Work Act, Data Protection, FOI, Human Rights, Equalities Act 2010, Public Sector Equality Duty 2011, Employment Law, TUPE etc.</li> <li>- Grant funding conditions</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>- Recycling, Green Issues</li> <li>- Impact of planning policies</li> <li>- Climate Change</li> <li>- Management of Open Spaces</li> </ul>

Describing the risk is vital for ensuring that risks are fully understood. The **cause and effect** of each risk must be detailed. To ensure consistency, the terminology below is used.

<b>Description of Risk</b>	<b>Cause –why?</b>	<b>Effect – what will happen?</b>
Risk of ... Failure to ... Lack of ... Loss of ... Uncertainty of ... Delay in ... Inability to ... Inadequate ... Opportunity to ... Damage to ...	... due to ... because ...	... leads to ... results in ...

**Step 3 – Assess Initial level of Risk when identified – How significant is it?**

The Council assesses each risk in terms of its potential likelihood and impact, enabling actions to be prioritised. **We will actively monitor risks scoring 4 or higher on the Matrix.** Each risk should be assessed twice – to set both Initial and then Target risk levels. The first assessment – the initial risk score - is taken on the “as is” basis—what is the risk if we do nothing further and just maintain any existing controls (the score should reflect whether these are currently operating effectively or not). To ensure consistency, risks are assessed using a standard Risk Scoring Matrix, Likelihood (1-3) and Impact (1-3). The matrix uses a “traffic light” approach to show high (red), medium (amber) and low (green) risks.

**RISK MATRIX**

LIKELIHOOD	3	<b>4</b>	<b>7</b>	<b>9</b>
	2	<b>2</b>	<b>5</b>	<b>8</b>
	1	<b>1</b>	<b>3</b>	<b>6</b>
		1	2	3
		<b>IMPACT</b>		

Likelihood	
<b>1. Low</b>	Less than 20% likelihood
<b>2. Medium</b>	Between 20% and 60% likelihood
<b>3. High</b>	Greater than 60% likelihood
Impact	
<b>1.Low</b>	Consequences will be minor and associated losses will be small
<b>2.Medium</b>	Will have a noticeable effect on the Council
<b>3.High</b>	Can have a significant impact on the Council

<b>4 Likelihood High (3) Impact Low (1)</b>  Chance of it happening -More than 60% Consequences - Minor	<b>7 Likelihood High (3) Impact Medium (2)</b>  Chance of it happening - More than 60% Consequences - Noticeable effect on the Council	<b>9 Likelihood High (3) Impact High (3)</b>  Chance of it happening - More than 60% Consequences - Significant impact on the Council
<b>2 Likelihood Medium (2) Impact Low (1)</b>  Chance of it happening – between 20 – 60% Consequences - Minor	<b>5 Likelihood Medium (2) Impact Medium (2)</b>  Chance of it happening – between 20 – 60% Consequences – Noticeable effect on the Council	<b>8 Likelihood Medium (2) Impact High (3)</b>  Chance of it happening – between 20 – 60% Consequences – Significant impact on the Council
<b>1 Likelihood Low (1) Impact Low (1)</b>  Chance of it happening – less than 20% Consequences - Minor	<b>3 Likelihood Low (1) Impact Medium (2)</b>  Chance of it happening – less than 20% Consequences – Noticeable effect on the Council	<b>6 Likelihood Low (1) Impact High (3)</b>  Chance of it happening – less than 20% Consequences – Significant impact on the Council.



**Step 4 – Plan actions required to reduce the Likelihood or Impact of a Risk – what can we do about it?**

Not all risks can be eliminated, but they can be reduced and/or plans can be put in place to deal with the effects.

The following five general approaches are used by the Council when determining relevant actions to be taken.

<b>Transfer</b>	Use of insurance (to transfer the financial cost), or by contracting out services (this transfers some but not all of the risks and may create different ones).
<b>Tolerate</b>	It may not be practical or cost effective to take effective action against some risks. In this instance, the risk should be monitored to ensure the likelihood or impact does not change.
<b>Treat</b>	<b>Most risks will be in this category.</b> This involves putting in place a series of mitigation actions, bringing the risk score to an acceptable level. It includes contingency planning, describing what action will need to be taken if a risk is realised.
<b>Terminate</b>	Quick and decisive action to eliminate a risk altogether, which would usually be linked to stopping doing the activity completely. It is unlikely that the Council will be in a position to terminate the provision of a service.
<b>Taking an Opportunity</b>	In managing Risks, opportunities may sometimes present themselves. For example, where the take up of a new chargeable service is unknown, it might be lower than expected (a threat), or it might be higher (an opportunity).

Actions should be **SMART** (specific, measurable, achievable, realistic and timely).

Managers should list existing and additional actions required to manage the risks, and set out Contingency Plans to be followed in the event of the threat materialising. Each Action should have a named Officer (the Risk Owner) and a target date for completion. The cost of the planned actions needs to be established and, wherever possible, should not exceed the cost of the risk they are mitigating. Cost may be identified as additional funding requirements or in redeployment of staff resources. Financial costs linked to a risk or opportunity should be included in the Corporate Business Planning process. The costs associated with dealing with any risk should it materialise should be assessed and provision made on the Councils Financial Risk Register, if appropriate.

When looking at Risks, we will **also consider opportunities**. Planned actions to mitigate Risk should be examined to see whether they open up new possibilities to help us achieve our objectives.



**Step 5 – Aim – Set a Target Risk Score – what will the actions achieve?**

Once the actions have been identified, the Risk will be assessed again, using the same Matrix in Step 3, this time, taking into consideration the effectiveness of the identified actions in Step 4. This becomes the **target risk score** and reflects the position where the risk is deemed to be **managed to an acceptable level**.

**The Council uses the Target Risk Score to ensure that:**

- Risks are prioritised in terms of their significance;
- Actions are relevant and effectively managing and/or reducing the Likelihood or Impact of the Risk;
- Risks are removed when no further actions are required.



## Step 6 – Monitor and Review Risks

Risk management is an ongoing process and risks will be reviewed regularly to ensure that actions are being completed.

Each Risk Owner is expected to conduct a review of their risks on Pentana Risk in line with the review schedule in Appendix A. These reviews should consider:

- Any new risks which have been identified.
- Whether actions have been completed by their target dates, or revisions required.
- Whether the target Risk Score has been achieved.
- Whether additional actions are required.
- Whether Risks should be proposed for archiving or deletion.

Where a risk is assessed at a low level (1, 2 or 3) or has been managed down to a low level, then the risk will fall into business as usual and the risk entry should be proposed for archiving.

Where a risk is no longer relevant the risk should be proposed for deletion, Any decision to archive or delete a risk will be reviewed and agreed by the Risk Management Group, prior to the change being finalised on Pentana.

Regular reporting of Corporate Risks, through Risk Management Group, SMT and Finance Audit and Risk Committee (FARC) enables senior managers and Members to be more fully aware of the extent of the risks and progression of recorded actions, along with any proposed archiving /deletions.

Risk registers (Operational and Corporate) are maintained on the Council's risk management software Pentana Risk. This enables the Council to monitor and review risks and produce meaningful management reports.

## 2 – Considering any Opportunities which may present themselves whilst managing Risks

In managing risks, Opportunities may present themselves. These will always be considered and acted on where appropriate.

These opportunities may take the following forms:

1. **Absence of Threats** - If the bad thing does not happen, we might be able to take advantage of something good instead. For example, if poor industrial relations do not lead to a strike, we might be able to introduce an incentive scheme and turn the situation round from negative to positive.
2. **Inverse of Threats** - Where a variable exists and there is uncertainty over the eventual outcome, instead of just defining the risk as the downside we will also consider upside potential. For example, where the take up of a new chargeable service is unknown, it might be lower than expected (a threat), or it might be higher (an opportunity).
3. **Secondary Risks** - Sometimes by addressing one risk we can make things worse (the response creates a new threat), but it is also possible for our action to create a new opportunity. Avoiding potential delays to a car journey by taking the train might also allow us to do some useful work during the journey whilst achieving a lower environmental impact.

Opportunities cannot be managed unless they are identified. When looking at Risks, we will also ask whether their absence or inverse might present an opportunity. Planned actions to mitigate Risk will be examined to see whether they open up new possibilities to help us achieve our objectives.

**3 – Ensuring accountability and roles and responsibility for managing Risks are clearly defined and communicated**

NHDC expects all its officers and councillors to have a level of understanding of how risks and opportunities can affect the performance of the Council, in the achievement of our objectives, and consider the management of risk as part of their everyday activities.

**Roles in the Risk Management Process**

<b>All Employees</b>	<ul style="list-style-type: none"> <li>• Manage day-to-day risks and opportunities and report risk management concerns to their line managers.</li> <li>• Identify any new risks relating to their service area.</li> <li>• Undertake risk management e – learning.</li> <li>• Attend training and awareness sessions, as appropriate.</li> </ul>
<b>All Members</b>	<ul style="list-style-type: none"> <li>• Support and promote an effective risk management culture.</li> <li>• Constructively review and scrutinise the risks involved in delivering the Councils objectives.</li> </ul>
<b>Cabinet</b>	<ul style="list-style-type: none"> <li>• Risk manage the Council in delivering its objectives.</li> <li>• Approve the risk management Policy and Strategy.</li> <li>• Consider and challenge the risks involved in making any “key decisions”.</li> <li>• Responsible for oversight of Corporate Risks (with SMT).</li> </ul>
<b>Finance, Audit and Risk Committee (FARC)</b>	<ul style="list-style-type: none"> <li>• Provide independent assurance to the Council on the overall adequacy of the risk management framework, including review of proposed amendments to the Policy and Strategy prior to its presentation to Cabinet.</li> <li>• Review of changes to Corporate Risks.</li> </ul>
<b>Shared Internal Audit Service (SIAS)</b>	<ul style="list-style-type: none"> <li>• Provide assurance that risks are being effectively assessed and managed.</li> <li>• During all relevant audits, challenge the content of risk registers.</li> <li>• Periodically undertake specific audits of the Council’s risk management process and provide an independent objective opinion on its operation and effectiveness</li> </ul>
<b>Senior Management Team (SMT)</b>	<ul style="list-style-type: none"> <li>• Champion an effective Council wide risk management culture.</li> <li>• Ensure all reports contain sufficient Risk implications.</li> <li>• Ensure Members receive relevant risk information.</li> <li>• Responsible for oversight of Corporate Risks (with Cabinet).</li> <li>• Ensure that Business Continuity Plans are in place for each Service area.</li> </ul>
<b>Service Directors</b>	<ul style="list-style-type: none"> <li>• Risk manage their Directorates in delivering the Council’s core objectives and outcomes and confirm annually they have done this as part of the Annual Governance statement process.</li> </ul>

	<ul style="list-style-type: none"> <li>• Constructively review and challenge the risks involved in decision making.</li> <li>• Ensure that appropriate resources and importance are allocated to the process.</li> </ul>
<b>Service Director - Resources</b>	<ul style="list-style-type: none"> <li>• Corporate Champion for Risk Management.</li> <li>• Promotes the adequate and proper consideration of risk management to senior managers and more widely within the Council.</li> <li>• Ensure the Internal Audit work plan is focused on the key risks facing the Council.</li> </ul>
<b>Controls, Risk and Performance Team</b>	<ul style="list-style-type: none"> <li>• Design and facilitate the implementation of a risk management framework within NHDC ensuring it meets the needs of the organisation.</li> <li>• Act as a centre of expertise, providing support and guidance as required.</li> <li>• Collate risk information and prepare reports, as necessary.</li> <li>• Develop, support and promote the Council's risk management software Pentana Risk.</li> <li>• .</li> </ul>
<b>Service Managers / Project Managers</b>	<ul style="list-style-type: none"> <li>• Responsible for the effective leadership and management of risk in their area of responsibility in line with the Council's risk management framework.</li> <li>• Identify, assess and appropriately document significant risks and opportunities.</li> <li>• Clearly identify risk ownership.</li> <li>• Manage risks in line with corporately agreed timescales and policies.</li> <li>• Escalate risks, where appropriate.</li> <li>• Review risks regularly and recommend for deletion where appropriate.</li> </ul>
<b>Risk Management Group</b>	<ul style="list-style-type: none"> <li>• Maintain the mechanism for risk management to be discussed and disseminated across the Authority.</li> <li>• Review and challenge the content of risk registers.</li> <li>• Provide direction and guidance to ensure that a risk based approach is taken to the development of policies and procedures.</li> <li>• Support the Controls, Risk and Performance Team to implement the risk management strategy effectively, including reviews of risk management training.</li> <li>• Review recommendations and amendments to the Risk Management Framework – Policy, Strategy and Toolkit.</li> </ul>

**4 – Considering Risk as an integral part of business planning, service delivery, key decision making and project and partnership governance**

The Risk Management Strategy is an essential element of strategic planning, and sits under the broader umbrella of the Council Plan.



NHDC has a [Local Code of Corporate Governance](#), which includes risk management as one of the seven key principles:

**“Managing risks and performance through robust internal control and strong public financial management.”**

For risk management to be effective and a meaningful management tool, it must be an integral part of key management processes and day-to-day working. The Chief Executive and Leader of the Council must satisfy themselves that NHDC has effective corporate governance arrangements in place so that they can sign and publish an Annual Governance Statement with the annual accounts. Risks and the monitoring of associated actions are considered as part of the Council’s significant business processes, including:

- Corporate Decision Making – significant risks, associated with policy or action to be taken when making key decisions, are included in appropriate committee reports.
- Service /Budget Planning – this annual process includes updating the individual business unit risk registers to reflect current aims/outcomes.
- Project Management – all significant projects should formally consider the risks to delivering the project outcomes, before and throughout the project. This includes risks that could have an effect on service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.). <https://intranet.north-herts.gov.uk/home/doing-business/project-management/nhdc-project-management-framework/project-risks>
- Business Continuity – The Council has a duty to maintain plans to ensure that it can continue to function in the event of an emergency including plans for organisations that carry out services on the Council’s behalf. The process identifies the key functions in a service, what the risks are and how they can be mitigated to allow key functions to continue operating.

<https://intranet.north-herts.gov.uk/home/about-nhdc/business-continuity/what-business-continuity>

- Partnership Working – partnerships should establish procedures to record and monitor risks and opportunities that may impact the Council and/or the Partnership’s aims and objectives.
- Procurement – Contract Standing Orders clearly specify that all risks and actions associated with the purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process. <https://www.north-herts.gov.uk/home/council-and-democracy/council-constitution>
- Contract Management – all significant risks associated with all stages of contract management are identified and kept under review.
- Information Governance – The Information Security Policy sets out practices and procedures to be adopted for good information management. There is also mandatory annual refresher training in Data Protection. The Information Security Policy can be found at: <https://intranet.north-herts.gov.uk/home/about-me/hr-policies/information-security-policy>
- Insurance – the HCC Insurance team manages NHDC’s insurable risks and self-insurance arrangements. The Manager presents a regular update to the RMG.

- Health and Safety – the Council has a specific risk assessment policy to be followed in relation to health and safety risks. Health and Safety updates are taken to each meeting of the RMG.

### **Corporate Governance**

NHDC's approach to risk management has been developed to support the key requirements of good corporate governance:

**Openness and Inclusivity** - Our approach to managing risks will be open and transparent and blame will not be attributed if decisions made in good faith turn out to be the wrong decisions. Officers, Members, partners, members of the public and outside organisations have access to information on our current risks and opportunities, including how we are managing them. Risk management supports and enhances our decision making process and all committee reports include information on the risks and opportunities in taking or not taking a recommended course of action.

**Integrity** - The control environment, which includes risk management, supports the integrity of the Council. The risk management framework is key to taking informed decisions and continued service delivery.

**Accountability** - There is clear accountability for our risks. This includes the risk section in committee reports; an Annual Governance Statement, approved by the Finance, Audit and Risk Committee and included in the Council's Annual Accounts; an annual report to Council on risk management; and the regular internal and external audit inspections of our risks. The Council's key partners and contractors must have their own risk management plans to suit the particular circumstances of their business and their key stakeholders. The Council has major shared objectives with its partners and the principles of our approach to risk will guide how we seek to tackle these objectives in a joined-up way. Wherever practicable, joint risk registers are put in place with key partners/contractors.

So that it can manage and demonstrate how well it has embedded risk management, the Council undertakes a regular review of the implementation of the Strategy across the organisation.

## **5 – Communicating Risk information effectively through a clear reporting framework**

Appropriate and effective reviews and reporting arrangements reinforce and support the risk management processes. They allow sufficient and accurate performance information to be passed to Risk Owners, Senior Managers, the Senior Management Team (SMT) and Members.

### **The Risk Register**

The Risk Register entries on the Council's Risk Management Software - Pentana Risk, are the basic building blocks in the Strategy. The system generates reminder emails when the Next Review Date is approaching, and generates up to date reports on a weekly basis, available for all to view on the system.

A Directorate Overview of Risks is taken to each Directorate's Management Team Meeting at least once a year by a member of the Controls, Risk and Performance Team. This allows an overview of all risks to be discussed and any new risks to be suggested.

The Risk Management Group reviews all new risks, decisions on not to monitor risks, proposed archiving / deletions and any lessons learned when risks are deleted (particularly in relation to projects). This includes consideration of the residual risks.

Pentana Risk shows the Original Risk Score, the Target Risk Score and SMART actions with target dates for completion.

The risk matrix is used to plot the risks and to enable Service Directors to prioritise risk management activities that need to be undertaken to mitigate the risks. This risk information feeds into the Corporate Business Planning process.

The Risk Register also provides an understanding on how managing or capitalising on an opportunity can help achieve the objectives.

### **Corporate Risks**

The Corporate Risks facing the Council are those that cut across the delivery of all services, key projects and those that will affect the delivery of the Council's objectives. They are the responsibility of the Senior Management Team and Cabinet. Cabinet ensure the Corporate Risks are managed appropriately.

The Corporate Risks are discussed at the Risk Management Group and any significant changes are included in the reports to SMT.

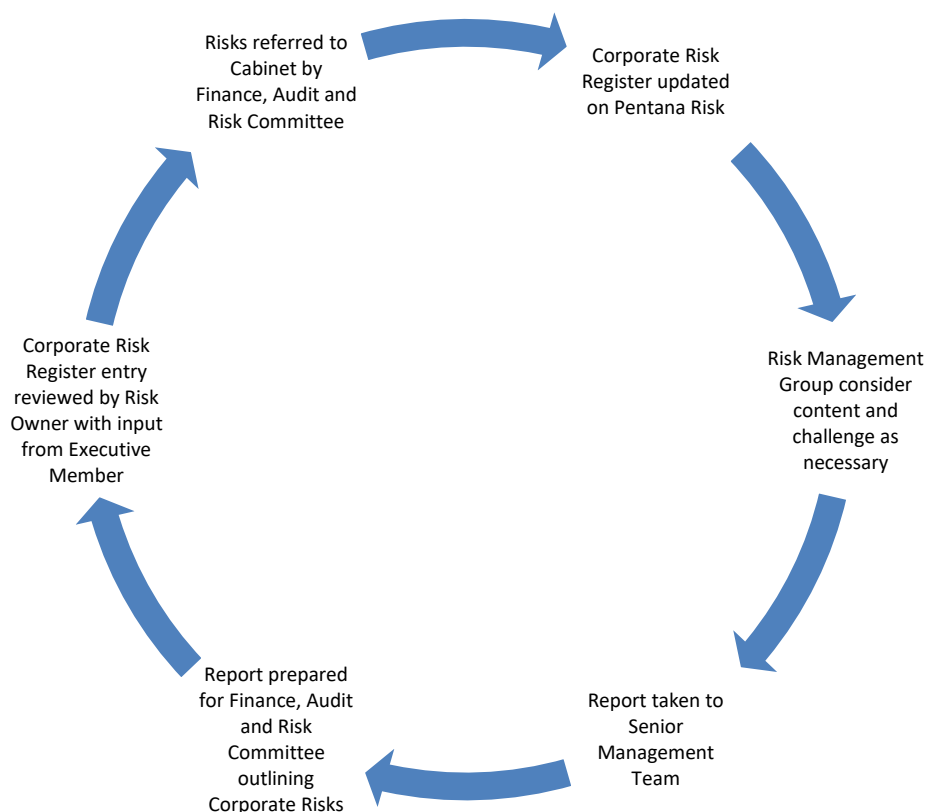
After consideration by SMT, the Corporate Risks are reported to the Finance, Audit and Risk Committee four times a year.

The Finance, Audit and Risk Committee monitor the effective development and operation of risk management within the Council. It agrees actions put forward by officers, where appropriate, and makes recommendations to Cabinet.

The Finance, Audit and Risk Committee refer any amendments to Corporate Risks and changes to the Risk & Opportunities Management Policy Statement, Policy and Strategy to Cabinet.

Full Council receives an annual report on Risk Management from the Members Risk Management champion.

## Diagram representing the review of Corporate Risks



### 6 – Increasing understanding and expertise in Risk Management through targeted training and the sharing of good practice

Having developed a robust approach and established clear roles and responsibilities and reporting lines, it is important to provide Members and officers with the knowledge and skills necessary to enable them to manage risk effectively.

NHDC uses a range of training methods to meet the needs of the organisation but primarily relies on intranet based e-awareness training. (under development with HR)

Risk management information is also available on the intranet, including templates and further detailed guidance in the Risk Toolkit.

A SIAS representative sits on the Risk Management Group, along with the HCC Risk & Insurance Manager, who is able to comment on both Herts County Council and Hertsmere

Risk Management. This enables the sharing of good practice with other Hertfordshire Authorities.

<b>Appendix A - Review Timetable</b>			
<b>Risk Score 7 – 9 (RED)</b>	There are significant risks, which may have a serious impact on the Council and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of risk.	As a minimum – Review Monthly Individual Actions must be reviewed as they become due.	
<b>Risk Score 4 – 6 (AMBER)</b>	Usually accepted, on the basis additional mitigating actions to reduce the likelihood are implemented, if this can be done cost effectively. Reassess to ensure conditions remain the same and existing/new actions are operating effectively.	As a minimum – Review Quarterly Individual Actions must be reviewed as they become due.	
<b>Risk Score 1 – 3 (GREEN)</b>	These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Delete from register once agreed by Risk Management Group.	Only review if situation changes	
<b>Appendix B – Responsibilities / Oversight</b>			
<b>Task</b>	<b>Corporate Risks</b>	<b>Service Risks</b>	<b>Project Risks</b>
<b>Risks identified by:</b>	SMT Service Directors	Service Managers	Project Team Key Stakeholders
<b>Risks owned by:</b>	Service Directors	Service Managers	As appropriate
<b>Risks reviewed by:</b>	Service Directors Risk Owners	Service Managers Risk Owners	Project Managers Risk Owners
<b>Risks scrutinised by:</b>	Risk Management Group SMT Finance Audit and Risk Committee	Service Directors	Project Team
<b>Risk Register (Pentana Risk) updated by:</b>	Risk Owners with support from Performance and Risk Officer if required.		
<b>Review of Risk Management Framework by:</b>	Service Director - Resources Controls, Risk and Performance Team Risk Management Group		

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**FINANCE, AUDIT AND RISK COMMITTEE  
16 MARCH 2020**

**PUBLIC DOCUMENT**

**TITLE OF REPORT: THIRD QUARTER REVENUE MONITORING 2019/20**

REPORT OF: THE SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE AND IT

CURRENT COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

NEW COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

**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 2019/20, as at the end of the third quarter. The forecast variance is a £262k decrease on the net working budget of £15.083million for 2019/20, with an ongoing impact in future years of a £33k increase and requests to carry forward budget totalling £254k to fund specific projects in 2020/21. Within these summary totals there are several budget areas with more significant variances, which are detailed and explained in table 3. The report also provides an update on;
- the progress with the delivery of planned efficiencies (paragraph 8.3)
  - the use of budget approved to be carried forward from 2018/19 (paragraph 8.4)
  - performance against the four key corporate 'financial health' indicators (paras 8.5-8.7)
  - the overall forecast funding position for the Council and factors that may affect this (paras 8.8 - 8.13)

**2. RECOMMENDATIONS**

- 2.1. That Cabinet note this report.
- 2.2. That Cabinet approves the changes to the 2019/20 General Fund budget, as identified in table 3 and paragraph 8.2, a £262k decrease in net expenditure.
- 2.3. That Cabinet approves the changes to the 2020/21 General Fund budget, as identified in table 3 and paragraph 8.2, a £287k increase in net expenditure (ongoing + Carry Forwards).

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

### 6. FORWARD PLAN

- 6.1. The report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 6<sup>th</sup> December 2019.

### 7. BACKGROUND

- 7.1. Council approved the revenue budget for 2019/20 of £15.251million in February 2019. As at quarter 3 the working budget has decreased to £15.083million. 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 2019/20	15,251
Quarter 3 2018/19 Revenue Monitoring report – 2019/20 budget changes approved by Cabinet (March 2019)	25
2018/19 Revenue Outturn Report – 2019/20 budget changes approved by Cabinet (June 2019)	521
Quarter 1 2019/20 Revenue Monitoring report - 2019/20 variances approved by Cabinet (July 2019)	(239)
Playgrounds report - delaying the removal of play equipment from two playgrounds in Royston until the 31st March 2020 – additional expenditure approved by Cabinet (July 2019)	4
Waste Collection from Multi Occupancy Properties report – retention of weekly residual waste collection service – variation to contract approved by Cabinet (July 2019)	68
Quarter 2 2019/20 Revenue Monitoring report – 2019/20 variances approved by Cabinet (December 2018)	(360)
Revenue monitoring included within 2020/21 budget report – 2019/20 variances approved by Cabinet (January 2020)	(187)
<b>Current Working Budget</b>	<b>15,083</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 2019/20 and how this has changed from the allocations published in the quarter two monitoring report.

**Table 2 – Service Directorate Budget Allocations**

	<b>Working Budget at Q2</b>	<b>Changes approved at Q2</b>	<b>Changes approved in 2020/21 budget report</b>	<b>Other Budget Transfers</b>	<b>Current Net Direct Working Budget</b>
<b>Service Directorate</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>	<b>£k</b>
Chief Executive	1,884	(78)	0	1	1,807
Commercialisation	(607)	144	0	0	(463)
Customers	3,528	(20)	10	26	3,544
Legal & Community	2,304	6	(54)	6	2,262
Place	4,776	(226)	13	0	4,563
Regulatory Services	1,230	(217)	(119)	(27)	867
Resources	2,515	31	(37)	(6)	2,503
<b>TOTAL</b>	<b>15,630</b>	<b>(360)</b>	<b>(187)</b>	<b>0</b>	<b>15,083</b>

## 8. RELEVANT CONSIDERATIONS

- 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 (2020/21) budget:

**Table 3 - Summary of significant variances**

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
Brexit Grant	52	0	(52)	NHDC have received Brexit resilience funding from Central Government totalling £52k. At the present time there is still uncertainty around the impact of Brexit. Several potential projects and measures are being looked at to minimise risk and provide resilience but spend is not expected to be incurred until 2020/21 and it is therefore requested that the unspent budget is carried forward into 2020/21.	52	0
Investment Interest	(372)	(418)	(46)	Level of investment balances are higher than budgeted due to slippage in the capital programme to 2020/21.	0	0
Apprenticeships	97	57	(40)	The apprentice budgets have been monitored closely to ensure any salary underspends can be used to recruit additional apprentices. In 2019/20 three additional apprentices have been recruited with their salaries funded from underspend. It has now been established that there will be an underspend of £40K. There is therefore enough funding to recruit two more apprentices. Allocation of those places and recruitment will get underway as soon as possible, but the posts are not expected to be recruited to until 2020/21. The budget is therefore requested to be carried forward into 2020/21.	40	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
Rental Income for Phone Masts on DCO	0	(83)	(83)	A lump sum of back-dated rent extending back to 2013 of £75k was received from Vodafone in relation to their lease of part of the DCO roof top for their phone mast. There was a Landlord and Tenant dispute which meant the rent invoices had to be suspended and rent receipts had to be rejected until an agreement had been reached. The annual rent agreed is now just over £8k; however, legislation may result in the future rental value to reduce.	0	(8)
Regulatory Directorate Staff Costs	716	624	(92)	Various vacancies within Environmental Health and Planning Services have resulted in underspends on staff costs in 2019/20. The majority of vacancies have now been recruited to, with the remaining vacancies to be advertised in 2020/21.	0	0
PCN Income	(665)	(702)	(37)	A full complement of CEOs and concentration of enforcement where more parking breaches are committed, to ensure management of the traffic network and road safety, have resulted in PCNs issued at a higher volume compared to the previous year.	0	0
Local Plan	210	136	(74)	At the time of setting the 2019/20 budget, it was anticipated that the Local Plan would be adopted in 2019/20, which the budget reflected. The inspector however identified further queries in July and August 2019 and further hearings have been set for March 2020. The plan will not be adopted until 2020/21. It is requested that the underspent budget is carried forward into 2020/21 to cover the remaining stages of this project.	74	0
Community Infrastructure Levy	87	0	(87)	A further decision on the preferred approach to developer contributions was postponed due to the delays associated with the Local Plan. In January 2020, Cabinet resolved that officers be instructed to conduct a review to consider the feasibility of introducing a CIL for residential sites. It is anticipated that the review will report in the second half of 2020. It is requested that the unspent budget is carried forward into 2020/21 to cover any costs arising from this review or	87	0

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
				its recommendations.		
Planning Application Income	(950)	(820)	+130	The uncertainty around the next steps of the Local Plan and the national situation with regards to Brexit are believed to have impacted upon the level of income; either through uncertainty with regard the timescale for sites to progress or through uncertainty around house prices and mortgage rates.	0	0
Careline Net Direct Trading Expenditure	(306)	(288)	+18	The main area of overspend is maintenance costs. Maintenance costs are not being fully funded by the service users due to restrictions placed on increasing the weekly service user charge (which is currently £3.25) by HCC. Moving to a full cost recovery model is currently being reviewed.	0	19
Trade Waste Income	(952)	(923)	+29	The management of commercial waste services requires regular marketing to maintain the existing client base. Vacancies within the team and increased pressure on staff resources have meant proactive marketing has not been possible. This has therefore resulted in a reduction in forecast income. A review is proposed for 2020/21	0	0
Museum Equipment Purchases	5	38	+33	For the Museum to open on time, and hence secure funding from the Heritage Lottery, expenditure was required on several items of equipment. This includes the production and installation of graphics in the reception area, upgrading various features, and installing spotlights.	0	0
Homelessness - Temporary Accommodation Expenditure	0	80	+80	£80k is the projected spend on temporary accommodation. £70k is the contribution NHDC gets back from the DWP for any households in temporary accommodation	0	80

Budget Area	Working Budget £k	Forecast Outturn £k	Variance £k	Reason for difference	Carry Forward Request £k	Estimated Impact on 2020/21 £k
Temporary Accommodation Income	0	(70)	(70)	that receive housing benefit. The £10k variance is because not all households would have received housing benefit, therefore no contribution will be received from Central Government. There is also a cap on how much can be claimed, so if the cost of temporary accommodation exceeds the cap, there will be a shortfall in income.	0	(70)
<b>Total of explained variances</b>	<b>(2,078)</b>	<b>(2,369)</b>	<b>(291)</b>		<b>253</b>	<b>21</b>
Other minor balances	17,161	17,190	+29		+1	+12
<b>Overall Total</b>	<b>15,083</b>	<b>14,821</b>	<b>(262)</b>		<b>254</b>	<b>33</b>

8.2. Cabinet are asked to approve the differences highlighted in the table above (a £262k decrease in spend), as an adjustment to the working budget (recommendation 2.2). Cabinet are asked to approve the estimated impact on the 2020/21 budget (£287k increase in budget, which includes the request to carry forward £254k of budget from 2019/20 to 2020/21 (recommendation 2.3).

8.3. The original approved budget for 2019/20 (and therefore working budget) included efficiencies totalling £610k, which were agreed by Council in February 2019. 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. The current forecast at quarter three is that all the efficiencies approved in February last year will be delivered.

8.4. The working budget for 2019/20 includes budgets totalling £689k 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 2018/19 but was delayed into 2019/20. At quarter two it was projected that £74k of carry forward budget would not be spent. 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. The increase of £87k relates to:

- Community Infrastructure Levy. The £87k budget carried forward will not be spent in this year, as highlighted and explained in table 3 above. The unspent budget is requested to be carried forward again into 2020/21.

8.5. There are 4 key corporate 'financial health' indicators identified in relation to key sources of income for the Council. Table 4 below shows the 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 two of the indicators are green, one is amber, and one is red.

- 8.6. The amber status for Land Charges income was reported at quarter one and is based on the actual income to date. Whilst the income budget may still be achieved from an increase in activity over the remainder of the year, there is a risk that the budgeted level of income may not be met.
- 8.7. The actual income to date for planning application fees is increased by the reversal in the current year of the £335k accounting adjustment posted at the end of 2018/19. Income receipts received in the first three quarters of the year in respect of planning applications totalled £627k, which is below the budget expectation. The red status at quarter three therefore indicates that the budgeted level of income will not be met and the forecast outturn has been reduced by £130k, which is highlighted and explained in table 3 above. As in 2018/19, an accounting adjustment will be posted at the end of 2019/20 to ensure that the reported income total reflects only the income received from planning applications resolved in this financial year, in accordance with accounting policy. The accounting adjustment does not affect the cash the Council receives.

**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</b>	<b>Projected Variance £k</b>
Planning Application Fees (including fees for pre-application advice)	Red	(950)	(962)	(820)	+130
Land Charges	Amber	(164)	(114)	(164)	0
Car Parking Fees	Green	(1,809)	(1,414)	(1,885)	(76)
Parking Penalty Charge Notices	Green	(532)	(560)	(702)	(170)

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

- 8.8. The Council's revenue budget is funded from the following main sources; Council Tax, New Homes Bonus and Retained Business Rates income. The Council was notified by Central Government in February 2019 of the amount of New Homes Bonus it could expect to receive in 2019/20 and planned accordingly.
- 8.9. Council Tax and Business Rates are accounted for in the Collection Fund rather than directly in our accounts, as we also collect them on behalf of other bodies. Each organisation has a share of the balance on the Collection Fund account. At the end of the third quarter, it is forecast that there will be a small deficit on the Council Tax Collection Fund. With regards to Business Rates, while income collected in year is in line with original estimates, an overall deficit position is projected due to the adjustment for the final prior year outturn, as detailed and explained in the quarter one revenue monitoring report.

- 8.10. The actual gain from Hertfordshire being a Business Rate pilot in 2019/20 will be dependent on the overall Business Rates collected across Hertfordshire, as well as within North Hertfordshire. Monitoring of the expected gain is being coordinated by Hertfordshire County Council. These forecasts will be a guide only as Business Rate income can be subject to significant fluctuations, particularly across 10 billing authorities. The final position will therefore not be known until after the end of the current year.
- 8.11. The Council also receives compensation in the form of a grant from Central Government for business rate reliefs introduced, which goes into our funds rather than the Collection Fund. In 2018/19 NHDC received grant totalling £1.435m and the current expectation for 2019/20 is £1.922m. We are holding the grant received in a reserve to fund the repayment of deficits recorded in future years. Some of the amount held in reserve will therefore be used in this year to fund the required contribution to the Collection Fund of £58k in respect of the position for 2018/19 and is included in table 5 below.
- 8.12. The recommendation to transfer to the General Fund several amounts currently held in earmarked reserves was approved by Full Council at its meeting in February. The release of the reserves will therefore increase the General Fund balance at the end of the year, as shown in table 5 below.
- 8.13. Table 5 summarises the impact on the general fund balance 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 2019)</b>	<b>(7,862)</b>	<b>(7,862)</b>	<b>-</b>
Net Expenditure	15,083	14,821	(262)
Funding (Council Tax, Business Rates, NHB)	(15,319)	(15,319)	0
Contribution to Funding Equalisation Reserve	68	68	0
Contribution to Collection Fund	58	58	0
Funding from Reserves (including Business Rate Relief Grant and transfer of reserves as approved at Full Council in February 2020)	(58)	(405)	(347)
<b>Carried Forward balance (31<sup>st</sup> March 2020)</b>	<b>(8,030)</b>	<b>(8,639)</b>	<b>(609)</b>

- 8.14. 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 £1,203k, and by the end of

quarter three a total of £257k has come to fruition. The identified risks realised in the third quarter relate to;

- Recycling services. Increase in net cost due to the reduction in sales price received for paper recyclates collected, as highlighted in the addendum to the Revenue Budget Report 2020/21 presented to Cabinet in January. £13k
- Housing Services. Use of temporary accommodation, highlighted in table 3 above. £10k
- Housing Services – legal costs for successful defence of an appeal to a housing decision. £3k.
- Planning Services – reduction in planning application income, as highlighted in table 3 above. £130k.

**Table 6 – Known financial risks**

	<b>£'000</b>
<b>Original allowance for known financial risks</b>	<b>1,203</b>
Known financial risks realised in Quarter 1	(17)
Known financial risks realised in Quarter 2	(84)
Known financial risks realised in Quarter 3	(156)
<b>Remaining allowance for known financial risks</b>	<b>946</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*". By considering monitoring reports throughout the financial year Cabinet is able to make informed recommendations on the budget to Council. The Council is under a duty to maintain a balanced budget and to maintain a prudent balance.

## **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 unplanned overspending of the overall Council budget.

## **12. EQUALITIES IMPLICATIONS**

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



- 12.2. For any individual new revenue investment proposal of £50k or more, or affecting more than two wards, a brief equality analysis is required to be carried out to demonstrate that the authority has taken full account of any negative, or positive, equalities implications; this will take place following agreement of the investment.

### **13. SOCIAL VALUE IMPLICATIONS**

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

### **14. HUMAN RESOURCE IMPLICATIONS**

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

### **15. APPENDICES**

- 15.1. None.

### **16. CONTACT OFFICERS**

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### **17. BACKGROUND PAPERS**

- 17.1. None.

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**FINANCE, AUDIT AND RISK COMMITTEE  
16 MARCH 2020**

**PUBLIC DOCUMENT**

**TITLE OF REPORT: THIRD QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2019/20**

REPORT OF: SERVICE DIRECTOR - RESOURCES

EXECUTIVE MEMBER: FINANCE AND I.T.

CURRENT COUNCIL PRIORITY: RESPONSIVE AND EFFICIENT

NEW COUNCIL PRIORITY: ENABLE AN ENTERPRISING AND CO-OPERATIVE ECONOMY

**1. EXECUTIVE SUMMARY**

- 1.1 To update Cabinet on progress with delivering the capital and treasury strategy for 2019/20, as at the end of December 2019.
- 1.2 To update Cabinet on the impact upon the approved capital programme for 2020/21 – 2024/25. The current estimate is a decrease in spend in 2019/20 of £4.082million and an increase in spend in future years of £3.831million. The most significant individual change relates to reprofiling the budget for Providing Housing at Market Rents.
- 1.3 To inform Cabinet of the Treasury Management activities in the first nine months of 2019/20. The current forecast is that the amount of investment interest expected to be generated during the year is £0.418million. This is an increase of £0.046M from the value reported at the second quarter.

**2. RECOMMENDATIONS**

- 2.1 That Cabinet notes the forecast expenditure of **£1.804million** in 2019/20 on the capital programme, paragraph 8.2 refers.
- 2.2 That Cabinet approves the adjustments to the capital programme for 2019/20 onwards as a result of the revised timetable of schemes detailed in table 2, increasing the estimated spend in 2020/21 and beyond by **£3.831million**.
- 2.3 That Cabinet notes the position of the availability of capital resources, as detailed in table 3 paragraph 8.6 and the requirement to keep the capital programme under review for affordability.
- 2.4 Cabinet is asked to note the position of Treasury Management activity as at the end of December 2019.

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.
- 3.2 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 Options for capital investment are considered as part of the Corporate Business Planning process.
- 4.2 The primary principles governing the Council's investment criteria are the security of its investments (ensuring that it gets the capital invested back) and liquidity of investments (being able to get the funds back when needed). 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 Investment 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 Investment Strategy.

### **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.
- 5.2 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 Executive decision that was first notified to the public in the Forward Plan on the 6th December 2019.

## **7. BACKGROUND**

- 7.1 In February 2019, Council approved the Integrated Capital and Treasury Strategy for 2019/20 to 2022/23. This was a change from having a separate Capital Programme and Treasury Strategy. The change was in response to guidance from the Ministry for Housing, Communities and Local Government (MHCLG) and the Chartered Institute of Public Finance and Accountancy (CIPFA). To be consistent with the strategy (and the guidance), the monitoring reports for Capital and Treasury are also integrated.

- 7.2 The Medium Term Financial Strategy for 2019 to 2024 confirmed that the Council will seek opportunities to utilise capital funding (including set aside receipts) for 'invest to save' schemes and proposals that generate higher rates of return than standard treasury investments. This is one way the Council will allocate resources to support organisational transformation that will reduce revenue expenditure.

- 7.3 Link Asset Services Ltd were first contracted to provide Treasury advice for the financial year 2012/13 and this arrangement has been extended until 2022/23. 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 a Technical Advisory Group.

## **8. RELEVANT CONSIDERATIONS**

- 8.1 The Council has £114.5 million of capital assets that it currently owns. This is unchanged from the second quarter report. The Investment Strategy set out the reasons for owning assets that are not for service delivery, including an assessment of Security, Liquidity, Yield and Fair Value. There have been no changes in relation to these since the Strategy was set.

### **Capital Programme 2019/20**

- 8.2 The full capital programme is detailed in Appendix A and shows the revised costs to date, together with the expected spend from 2019/20 to 2022/23 and the funding source for each capital scheme.

- 8.3 Capital expenditure for 2019/20 is estimated to be **£1.804million**. This is a reduction of **£4.082million** on the forecast in the Mid-Year Review report (reported to Cabinet on 17th December 2019). The decrease in spend in 2019/20 is largely due to the reprofiling of projects into 20/21. Table 1 below details changes to capital programme.

**Table 1- Current Capital Estimates**

	2019/20 £M	2020/21 £M	2021/22 to 2024/25 £M
<b>Original Estimates approved by Full Council February 2019</b>	<b>8.213</b>	<b>0.962</b>	
<b>Changes approved by Cabinet in 2018/19 Capital Outturn report</b>	1.007	0	
<b>Revised Capital estimates at start of 2019/20</b>	<b>9.220</b>	<b>0.962</b>	
<b>Changes at Q1</b>	-1.398	1.408	
<b>Changes at Q2</b>	-1.936	1.450	
<b>Changes in 20/21 strategy approved by full Council in February</b>	0	5.507	
<b>Changes at Q3 detailed in this report</b>	-4.082	3.831	
<b>Current Capital Estimates</b>	<b>1.804</b>	<b>13.158</b>	<b>23.524</b>

8.4 Table 2 lists the schemes in the 2019/20 Capital Programme that will start or continue in 2020/21:

**Table 2: Scheme Timetable Revision:**

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

Scheme	2019/20 Working Budget £'000	2019/20 Forecast Spend £'000	Difference £'000	Reason for Difference	Estimated impact on 2020/21 onwards £'000
Cycle Strategy Implementation	278	0	-278	Work has commenced and meetings have been held with stakeholders regarding these projects and will be progressed in more detail in 20/21 in line with the Local Plan.	278
Transport Plans Implementation	250	0	-250	Work has commenced and meetings have been held with stakeholders regarding these projects and will be progressed in more detail in 20/21 in line with the Local Plan.	250
Install On Street Charging	50	0	-50	Work on this will follow the adoption of the Parking Strategy Operational Guidelines by Cabinet in March 2020.	50
Property Improvements	79	25	-54	Due to the value limit for items to be capitalised and there being a limited number of significant capital replacements being identified during the year, there has been less demand on this capital budget during the year.	54
Off Street Car Parks Resurfacing	30	0	-30	Works to resurface Hitchin Outdoor Pool Car Park will commence in the summer, so it is requested that the budget is reprofiled into 2020/21.	30
Sprung Floor Hitchin Town Hall	75	0	-75	The wood used on the current floor has been identified as a rare and protected wood. Furthermore, wooden flooring boards are no longer milled to the same width and length as the current floor. We are therefore liaising with Planning officers to	75

Scheme	2019/20 Working Budget £'000	2019/20 Forecast Spend £'000	Difference £'000	Reason for Difference	Estimated impact on 2020/21 onwards £'000
				understand how closely these specifications need to be matched to satisfy the requirements of the listed building.	
NH Museum & Community Facility	70	14	-56	The overall museum facility has opened to the public and recently the Terrace Area has been furnished and decorated. Officers have now installed an attractive outdoor seating area, which has helped to create an additional hireable events space for the Council to create additional revenue. In order for this area to have year round use and maximise income, the intention is to install a canopy structure, shielding this outdoor seating area from adverse weather conditions. A structure of this sort of permanence will require both planning permission and listed building consent which has resulted in full completion of the area moving into 2020/21.	56
Provide Housing at Market Rents	2,982	5	-2,977	There has been delays in undertaking work at Harkness Court, therefore, this work will now commence in 2020/21.  Officers are still exploring the viability of a property letting company and until this work has been approved this budget will not be spent.	2,977
Total Minor (under £25k) slippage on other projects	466	0	-62		62
<b>Total Revision to Budget Profile</b>			<b>-3,832</b>		<b>3,832</b>



8.5 There are also changes to the overall costs of schemes in 2019/20. These changes total a net decrease of £0.251million and are detailed in Table 3.

**Table 3: Changes to Capital Schemes Commencing in 2019/20:**

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

Scheme	2019/20 Working Budget £'000	2019/20 Forecast Spend £'000	Difference £'000	Comments
Renovate King George V Recreation Ground Play Area	75	34	-41	At the initial site inspection, it was identified that only a limited number of items required updating or replacement.
Leisure Condition Survey	0	30	30	The £64K budget was previously reprofiled to 20/21 but it is now possible to commence the roof repairs at the Letchworth Outdoor Pool in March and finish in April 2020. Therefore, some of the spend will be in 2019/20.
On Street Pay and Display Charging	235	0	-235	This has been reassigned as part of the Budget Setting process for 2020/21 and is recorded as NCP46 in the Capital Investment Proposals approved by Full Council on 6 Feb.
<b>Other minor changes</b>			<b>-5</b>	
<b>Total revision to scheme spend</b>			<b>-251</b>	

### Capital Programme 2019/20 Funding onwards

8.6 Table 3 below shows how the Council will fund the 2019/20 capital programme.

**Table 3: Funding the Capital Programme:**

	2019/20 Balance at 1st start of year £M	2019/20 Estimated Additions £M	2019/20 Funding Used £M	2019/20 Balance at end of year £M
Useable Capital Receipts and Set-aside Receipts	8.490	0.474	(1.396)	7.568
IT Reserve			(0.005)	
S106 receipts			(0.248)	
Other third party grants and contributions			(0.155)	
<b>Total</b>	<b>8.490</b>		<b>(1.804)</b>	

- 8.7 The availability of third party contributions and grants to fund capital investment is continuously sought in order to reduce pressure on the Council's available capital receipts and allow for further investment. Additional capital receipts are dependent on selling surplus land and buildings. Ensuring that the Council gets best value from the disposal of land and buildings can take a long time and therefore the amounts that might be received could be subject to change. This will be kept under review throughout the year. No substantial funds from land sales are forecast until 2021/22.
- 8.8 The Council's Capital Financing Requirement at 31<sup>st</sup> March 2019 was negative £5.9 million. Based on current forecasts it is expected to remain negative during 2019/20, which means that the Council does not have a need to borrow to fund capital spend. However, should the Capital programme be fully spent in 20/21 there will be a potential need to borrow £4.0M which will have an impact on the General fund by way of a Minimum Revenue Provision (MRP). This need to borrow will mainly be dependent on spend in line with the property acquisition and development strategy. It is expected that any such spend will generate income that will exceed the cost of capital (interest costs and Minimum Revenue Provision).

### **Treasury Management 2019/20**

- 8.9 Whilst the Council does not have a need to borrow for capital spend in this financial year, it still holds historic borrowing that is uneconomical to repay early. Borrowing can also be used for short-term cashflow purposes. During the first nine months no long-term borrowing was taken out and no historic borrowing became due for repayment.
- 8.10 The Council invests its surplus cash in accordance with the Investment Strategy (see paragraph 4.2). This surplus cash is made up of capital funding balances, revenue general fund balance, revenue reserve balances and variations in cash due to the timing of receipts and payments. During the first nine months, the Council had an average investment balance of £38.9 million and invested this in accordance with the treasury and prudential indicators as set out in the Integrated Capital and Treasury Management Strategy and in compliance with the Treasury Management Practices. Officers can confirm that the approved investment limits within the Annual Investment Strategy were not breached during the quarter ended 31 December 2019. However, the Council's current account did exceed the £5M maximum limit on 15 October by £400K for two days. This occurred as the Housing Subsidy payment received from DWP was £1.1M higher than expected. The increased amount was in respect of the Subsidy being adjusted to reflect figures supplied in the NNDR3 claim. Officers will ensure that this annual change to the Housing Subsidy will in future be identified as early as possible and included in cashflow forecasts. The adjusted Housing Subsidy payment could be an increase or a decrease. The £5M limit was also exceeded on 4 December by £43K when £91K was unexpectedly received in the afternoon after the cut off time for deals had passed.
- 8.11 The Council generated £0.303 million of interest during the first nine months of 2019/20. The average interest rate on all outstanding investments at the 31 December was 1.11%. Based on current investments and forecasts of interest rates and cash balances for the remainder of the year, it is forecast that the Council will generate £0.418 million of interest over the whole of 2019/20.

8.12 As at 31 December the split of investments was as shown in the table below. 5% of total investments (and 19% of the total amount invested in banks) were non-UK banks:

Banks	29%
Building Societies	30%
Local Authorities	39%
Money Market Funds	2%

8.13 The level of risk of any investment will be affected by the riskiness of the institution where it is invested and the period that it is invested for. Where an institution has a credit rating this can be used to measure its riskiness. This can be combined with the period remaining on the investment to give a historic risk of default percentage measure. The table below shows the Historic Risk of Default for outstanding investments at 31 December. The most risky investment still has a historic risk of default of below 1%. It should also be noted that in general the interest rate received is correlated to the risk, so the interest income received would be less if it took on less risk. As stated in paragraph 8.10, all investments have been made in accordance with the Investment Strategy.

Borrower	Principal Invested £M	Interest Rate %	Credit Rating	Days to Maturity at 31 Dec	Historic Risk of Default %
Public Sector Deposit Fund	1.0	0.72 Variable	AAA	1	0.000
Darlington Bldg Soc	1.0	1.3	*	9	0.004
Yorkshire Bldg Soc	1.0	0.69	A-	12	0.002
Santander UK Bank	2.0	0.8	A+	14	0.002
Australia and New Zealand Bank	1.0	0.81	AA-	19	0.001
Bank of Scotland	1.0	0.81	A+	19	0.003
Principality	1.0	0.75	BBB	19	0.008
Coventry Bldg Soc	1.0	0.99	A-	47	0.007
Yorkshire Bldg Soc	1.0	0.96	A-	47	0.007
Surrey Heath Borough Council	3.0	0.75	AA	49	0.003
Wirral Metropolitan Borough Council	3.0	0.75	AA	49	0.003
Lloyds Bank	1.0	1.05	A+	63	0.009
Santander UK	1.0	0.83	A+	76	0.011
Bank of Scotland	1.0	0.75	A+	76	0.011
Lancashire County Council	1.0	1.1	AA	78	0.005
Australia and New Zealand Bank	1.5	0.79	AA-	78	0.005
Derbyshire County Council	3.0	0.9	AA	89	0.006
Hinckley & Rugby Bldg Soc	2.0	1.35	*	114	0.050
Skipton Bldg Soc	1.0	0.92	A-	119	0.050
Dudley Bldg Soc	1.0	1.3	*	127	0.056
Merthyr Tydfil County Borough Council	1.0	0.85	AA	148	0.010

Furness Bldg Soc	1.0	1.3	*	153	0.067
London Borough of Sutton	2.0	0.8	AA	156	0.010
Lloyds Bank	1.0	1.25	A+	215	0.031
North Lanarkshire Council	3.0	0.9	AA	253	0.017
Lloyds Bank	1.0	1.1	A+	309	0.045
Medway Council	2.0	1.25	AA	310	0.021
Newcastle Bldg Soc	1.0	1.17	*	331	0.145
Marsden Bldg Soc	1.5	1.6	*	387	0.467
Monmouthshire Bldg Soc	1.0	1.5	*	513	0.618
	43.0	1.11			

\* Unrated Building Societies Historic Risk of Default is based on a Fitch (a credit rating agency) rating of BBB.

## 9. LEGAL IMPLICATIONS

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

## 10. FINANCIAL IMPLICATIONS

- 10.1 The main financial implications are covered in section 8 of the report.
- 10.2 The Authority operates a tolerance limit on capital projects that depends on the value of the scheme and on this basis over the duration of the programme it should be anticipated that the total spend over the period could be around £3.653million higher than the estimated budget of £38.486million.
- 10.3 The capital programme will need to remain under close review due to the limited availability of capital resources and the affordability in the general fund of the cost of using the Council's capital receipts. When capital receipts are used and not replaced the availability of cash for investment reduces. Consequently interest income from investments reduces. £1.0million currently earns the Authority approximately £1.0k a year in interest. The general fund estimates are routinely updated to reflect the reduced income from investments. When the Capital Financing Requirement (CFR) reaches zero the Council will need to start charging a minimum revenue provision to the general fund for the cost of capital and will need to consider external borrowing for further capital spend. The CFR at the 31 March 2019 was negative £6million.

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

## **11. RISK IMPLICATIONS**

- 11.1 The inherent risks in undertaking a capital project are managed by the project manager of each individual scheme. These are recorded on a project risk log which will be considered by the Project Board (if applicable). The key risks arising from the project may be recorded on Pentana (the Council's Performance & Risk management software). Some of the major capital projects have been included in the Council's Corporate Risks (such as the new North Hertfordshire Museum). The Corporate Risks are monitored by the Finance, Audit and Risk Committee and Cabinet.
- 11.2 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 directly arising from the adoption of the Capital Programme for 2019/20 onwards. 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 agreement of the investment proposal.

## **13. SOCIAL VALUE IMPLICATIONS**

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

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 There are no direct human resource implications.*no impact.*

## **15. APPENDICES**

- 15.1 Appendix A, Capital Programme Detail including Funding 2019/20 onwards.  
Appendix B, Treasury Management Update

## **16. CONTACT OFFICERS**

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## **17. BACKGROUND PAPERS**

17.1 Investment Strategy (Integrated Capital and Treasury Strategy)  
<https://democracy.north-herts.gov.uk/documents/s4263/Appendix%20A-%20Investment%20Strategy.pdf>

Project	Service Directorate	Spend Forecasts				Funding					Balance funded from Capital Receipts/ Set-aside receipts
		2019/20 Funding £	2020/21 Funding £	2021/22 Funding £	2022/23 Funding £	Funded from capital contributions	Funded from Government Grant	Funded from s106 contributions	Funded from IT Reserve	Planned Borrowing	
40 KVA UPS Device or Battery Replacement	Customers	7,000	0	11,000	0	0	0	0	0	0	18,000
Additional PC's - Support Home Working/OAP	Customers	13,000	11,000	13,000	11,000	0	0	0	0	0	48,000
Additional Storage	Customers	0	40,000	0	28,000	0	0	0	0	0	68,000
Alternative to safeword tokens for staff/members working remotely	Customers	0	16,000	0	12,000	0	0	0	0	0	28,000
Acquisition of Property Investments	Commercial	0	4,000,000	4,000,000	4,000,000	0	0	0	0	3,149,700	8,850,300
Baldock Town Hall project	Legal and Community	69,600	0	0	0	0	0	800	0	0	68,800
Bancroft Recreation Ground, Hitchin, Multi Use Games Area (MUGA)	Place	147,000	17,200	0	0	60,000	0	60,100	0	0	44,100
Cabinet Switches - 4 Floors	Customers	0	0	18,000	0	0	0	0	0	18,000	0
Cadcorp Local Knowledge & Notice Board Software	Customers	10,200	0	0	0	0	0	0	5,000	0	5,200
CCTV at DCO & Hitchin Town Hall	Customers	0	15,000	0	0	0	0	0	0	0	15,000
Channel shift - processing of housing register applications	Regulatory	40,000	0	0	0	0	0	0	0	0	40,000
Construction of Pathways & roadway Wilbury Hills Cemetery	Place	400	0	0	0	0	0	0	0	0	400
Core Backbone Switch	Customers	2,800	17,200	0	0	0	0	0	0	0	20,000
Council property improvements following condition surveys	Resources	25,400	486,500	255,000	0	0	0	0	0	0	766,900
Cyber Attacks - Events Monitoring Software Solution	Customers	30,000	0	0	0	0	0	0	0	0	30,000
Cycle Strategy implementation (GAF)	Regulatory	0	278,000	0	0	0	278,000	0	0	0	0
Data Switch upgrade	Customers	0	0	0	15,000	0	0	0	0	0	15,000
Decommissioning of Play Areas	Place	79,200	5,000	0	0	0	0	0	0	0	84,200
Dell Servers	Customers	0	65,000	0	0	0	0	0	0	0	65,000
DR Set-up	Customers	49,800	0	0	0	0	0	0	0	0	49,800
Email / Web Gateway with SPAM Filtering Software Solution - Licence 3 Year Contract	Customers	0	39,000	0	0	0	0	0	0	0	39,000
Email Encryption Software Solution	Customers	0	45,000	0	0	0	0	0	0	0	45,000
Energy efficiency measures	Resources	8,500	0	0	0	0	0	0	0	0	8,500
Football Goal Replacement Programme	Place	0	0	0	15,000	0	0	0	0	0	15,000
Green Infrastructure implementation (GAF)	Regulatory	0	185,000	0	0	0	185,000	0	0	0	0
HSC Indoor Pool Cover	Place	0	0	20,000	0	0	0	0	0	0	20,000
HSC Outdoor Pool Boiler Replacement	Place	0	40,000	0	0	0	0	0	0	0	40,000
HSC Reception Toilet Refurbishment	Place	0	0	0	30,000	0	0	0	0	0	30,000
Hitchin & Letchworth Outdoor Pool Automatic Chemical Dosing Pumps	Place	20,000	0	0	0	0	0	0	0	0	20,000
Hitchin Outdoor Pool Showers and Toilets	Place	9,200	0	0	0	0	0	0	0	0	9,200
Hitchin Town Hall Acoustic Panelling	Commercial	34,300	0	0	0	0	0	0	0	0	34,300
Hitchin Town Hall Additional Bar Facility	Commercial	16,500	0	0	0	0	0	0	0	0	16,500
Hitchin Town Hall Additional Bar & Glassware Infrastructure	Commercial	0	25,000	0	0	0	0	0	0	0	25,000
Hitchin Town Hall Sprung Floor Replacement	Commercial	0	75,000	0	0	0	0	0	0	0	75,000
Howard Gardens Splashpad	Place	0	0	0	33,000	0	0	0	0	0	33,000
Ickneild Way Cemetery Footpaths	Place	0	0	50,000	0	0	0	0	0	0	50,000
Installation of trial on-street charging (GAF)	Regulatory	0	50,000	0	0	0	50,000	0	0	0	0
Ivel Springs Footpaths	Place	0	0	0	10,000	0	0	0	0	0	10,000
Jackmans Central Play Area Renovation	Place	3,600	0	0	0	0	0	0	0	0	3,600
John Barker Place, Hitchin	Regulatory	0	1,096,000	0	0	0	0	270,400	0	0	825,600
Lairage Multi-Storey Car Park - Structural wall repairs	Regulatory	0	120,700	0	0	0	0	0	0	0	120,700
Laptops - Refresh Programme	Customers	0	6,000	6,000	0	0	0	0	0	0	12,000
Leisure Condition Survey Enhancements	Place	30,000	57,000	0	39,000	0	0	0	0	0	126,000
Letchworth Multi_storey Car Park - parapet walls, soffit & decoration	Regulatory	0	133,800	0	0	0	0	0	0	0	133,800
Letchworth multi-storey car park - lighting	Regulatory	19,700	0	0	0	0	0	0	0	0	19,700
Letchworth Outdoor Pool safety surface	Place	4,400	0	0	0	0	0	0	0	0	4,400
Microsoft Enterprise Software Assurance	Customers	358,000	0	0	0	0	0	0	0	0	358,000
Mobile Device Management Software	Customers	0	18,000	0	0	0	0	0	0	0	18,000
Mrs Howard Hall Replacement Boiler & Windows	Resources	0	63,000	0	0	0	0	0	0	0	63,000
New Blade Enclosure	Customers	0	32,000	0	0	0	0	0	0	0	32,000
NH Museum & Community Facility	Commercial	14,400	55,400	0	0	69,800	0	0	0	0	0
NH Museum Storage Solution	Commercial	0	1,000,000	200,000	0	0	0	0	0	630,000	570,000
NH Museum Platform Lift Solutions	Commercial	0	40,000	0	0	0	0	0	0	0	40,000
NHLC Boiler Replacement	Place	0	0	200,000	0	0	0	0	0	0	200,000
NHLC Dryside Changing Area	Place	0	0	0	100,000	0	0	0	0	0	100,000
NHLC Outdoor Pool Boiler Replacement	Place	0	40,000	0	0	0	0	0	0	0	40,000
NHLC Reception Toilet Refurbishment	Place	0	0	0	30,000	0	0	0	0	0	30,000
NHLC Refurbish Gym Floor	Place	0	0	50,000	0	0	0	0	0	0	50,000
NHLC Refurbishment of Gym Members Changing Rooms	Place	0	200,000	0	0	0	0	0	0	0	200,000
NHLC Replace Circulation Pipework	Place	0	50,000	0	0	0	0	0	0	0	50,000
Norton Common Wheeled Sports improvements	Place	37,100	0	0	0	0	0	37,100	0	0	0
Off Street Car Parks resurfacing and enhancement	Regulatory	0	30,000	0	47,100	0	0	0	0	0	77,100
PC's - Refresh Programme	Customers	19,800	17,000	17,000	17,000	0	0	0	0	0	70,800
Parking Charging, Payments & Management	Regulatory	0	235,000	0	0	0	0	0	0	0	235,000
Playground Renovation District Wide	Place	0	0	180,000	180,000	0	0	0	0	0	360,000
Private Sector Grants	Regulatory	60,000	60,000	60,000	60,000	0	0	0	0	0	240,000
Provide housing at market rents.	Commercial	5,000	2,976,500	0	0	0	0	0	0	0	2,981,500
Ramsoms Rec Footpaths, Gates and Railing	Place	0	0	0	10,000	0	0	0	0	0	10,000
Refurbishment and improvement of community facilities	Legal and Community	312,900	420,000	0	0	0	0	0	0	0	732,900
Refurbishment of lifts at Lairage Car Park	Regulatory	0	360,000	0	0	0	0	0	0	0	360,000
Renovate play area Howard Park, Letchworth	Place	0	75,000	0	0	0	0	0	0	0	75,000
Renovate play area King George V Recreation Ground, Hitchin	Place	34,000	0	0	0	0	0	0	0	0	34,000
Renovate play area, District Park, Gt. Ashby	Place	74,200	800	0	0	0	0	0	0	0	75,000
Replace and enhance lighting at St Mary's Car Park	Regulatory	0	60,000	0	0	0	0	0	0	0	60,000
Replace items of equipment Brook View	Place	300	0	0	0	0	0	0	0	0	300
Replace items of play equipment Holroyd Cres, Baldock	Place	0	10,000	0	0	0	0	0	0	0	10,000
Replace items of play equipment Wilbury Recreation Ground, Letchworth	Place	0	10,000	0	0	0	0	0	0	0	10,000

Replace items of play equipment, Chiltern Road, Baldock	Place	500	0	0	0	0	0	0	0	0	500
Replacement SAN	Customers	0	110,000	0	0	0	0	0	0	0	110,000
Royston Leisure Centre Extension	Place	0	0	0	1,000,000	0	0	0	0	0	1,000,000
RLC Changing Village Refurbishment	Place	0	0	0	225,000	0	0	0	0	0	225,000
RLC Dry Side Toilet Refurbishment	Place	0	0	0	30,000	0	0	0	0	0	30,000
S106 Projects	Various	150,000	128,800	0	0	0	0	278,800	0	0	0
Security - Firewalls	Customers	12,600	14,000	0	14,000	0	0	0	0	0	40,600
St Johns Cemetery Footpath	Place	0	10,000	0	0	0	0	0	0	10,000	0
Software Licence	Customers	0	0	0	390,000	0	0	0	0	0	390,000
Tablets - Android Devices	Customers	14,000	12,000	15,000	18,000	0	0	0	0	0	59,000
Telephony system	Customers	10,600	0	0	0	0	0	0	0	0	10,600
Transport Plans implementation (GAF)	Regulatory	0	250,000	0	0	0	250,000	0	0	0	0
Walsworth Common Pavilion - contribution to scheme	Place	0	0	300,000	0	250,000	0	37,000	0	0	13,000
Walsworth Common Pitch Improvements	Place	80,200	12,300	0	0	83,000	0	2,300	0	0	7,200
Weston Hills LNR Footpath Renovation	Place	0	0	0	20,000	0	0	0	0	0	20,000
WiFi Upgrades for DCO & Hitchin Town Hall	Customers	0	35,000	0	0	0	0	0	0	0	35,000
Wilbury Hills Cemetery Footpaths	Place	0	10,000	10,000	0	0	0	0	0	20,000	0
		<b>1,804,200</b>	<b>13,158,200</b>	<b>5,405,000</b>	<b>6,334,100</b>	<b>462,800</b>	<b>763,000</b>	<b>686,500</b>	<b>5,000</b>	<b>3,827,700</b>	<b>20,956,500</b>



# Treasury Management Update

Quarter Ended 31 December 2019

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# Treasury Management Update

## Quarter Ended 31 December 2019

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. Economic growth** in 2019 has been very volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 dire at -0.2%, quarter 3 back up to +0.4% and quarter 4 expected to come in around zero. Political and Brexit uncertainty have dampened growth in 2019.

Despite political uncertainty ending with a decisive overall majority for the Conservative government in the December general election which clears the way for the UK to leave the EU on 31 January 2020, we still have much uncertainty as to whether there will be a reasonable trade deal achieved by the end of 2020.

After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, 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 these remaining uncertainties over the likely type of Brexit become clear. If there was a no deal exit, it is likely that Bank Rate would be cut in order to support growth. However, if growth was to flag significantly in any event, the MPC could also cut Bank Rate in 2020. The Government has announced some major spending increases and is expected to make further commitments in the spring budget; these will provide some support to growth and will take some pressure off the MPC to act to stimulate growth by either cutting Bank Rate or implementing other monetary policy measures.

The MPC did have some concerns over the trend in wage inflation, which was on a rising trend, and peaked at a new post financial crisis high of 3.9% in June. Since then, however, it has been falling steadily back to 3.5% in October, (3 month average figure, excluding bonuses). Growth in employment picked up again to 24,000 in the three months to October, after a fall in the previous month's figures. However, this is still well below the 2018 average, although the unemployment rate remained at 3.8 percent, its lowest rate since 1975.

As for **CPI inflation** itself, this fell to 1.5% in October and November and is likely to remain between 1.5% and 2% over the next two years. If there was a no deal Brexit though, it could rise towards 4%, primarily as a result of imported inflation on the back of a weakening pound.

The strong wage inflation figure and the 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 2.0%, i.e. a real term 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.

**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 rate of growth to 2.9% for 2018, just below his target of 3%. Growth in quarter 1 of 2019 was a strong 3.1% but growth fell back to 2.0% in quarter 2 and 2.1% in quarter 3. The strong growth in employment numbers during 2018 has subsided into a weaker trend of growth during 2019, indicating that the economy is cooling, while inflationary pressures have also been weakening. After the Fed increased rates by 0.25% in December 2018 to between 2.25% and 2.50%, it has taken decisive action to reverse monetary policy by cutting rates by 0.25% in each of July, September and October in order to counter the downturn in the outlook for US and world growth. The Fed is now likely to pause to see how the economy responds during 2020.

**EUROZONE.** The annual rate of growth has been steadily falling, from 1.8% in 2018 to only 1.1% y/y in quarter 3 in 2019. The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by purchases of debt. However, the downturn in EZ growth, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a third round of Targeted Long-term Refinancing Operations (TLTROs); this provides banks with cheap borrowing every three months from September 2019 until March 2021 which means that, although they will have only a two-year maturity, the Bank is making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum so at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5% and announced a resumption of quantitative easing purchases of debt to start in November at €20bn per month, a relatively small amount. It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and unsurprisingly, the ECB stated that governments will need to help stimulate growth by fiscal policy.

**CHINA.** Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. The trade war with the US does not currently appear to be having a particularly significant impact on growth. Major progress still needs to be made to eliminate excess industrial capacity and to switch investment from property construction and infrastructure to consumer goods production. It also needs 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.

**WORLD GROWTH.** The trade war between the US and China on tariffs is a major concern to financial markets and is depressing worldwide growth, as any downturn in China will spill over into impacting countries supplying raw materials to China. Concerns are focused on the

synchronised general weakening of growth in the major economies of the world. These concerns resulted in government bond yields in the developed world falling significantly during the first ten months of 2019. If there were a major worldwide downturn in growth, central banks in most of the major economies will have limited ammunition available, in terms of monetary policy measures, when rates are already very low in most countries, (apart from the US), and there are concerns about how much distortion of financial markets has already occurred with the current levels of quantitative easing purchases of debt by central banks. The latest PMI survey statistics of economic health for the US, UK, EU and China have all been weak which gives a forward indication of a downturn in growth; this confirms investor sentiment that the outlook for growth during 2020 is expected to be weak.

## 2. Interest Rate Forecast

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

Link Asset Services Interest Rate View													
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.90	1.00	1.00	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	0.90	0.90	1.00	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.30	2.40	2.40	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.00	3.10
10yr PWLB Rate	2.50	2.50	2.60	2.60	2.70	2.80	2.90	3.00	3.10	3.10	3.20	3.20	3.30
25yr PWLB Rate	3.00	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.80	3.80	3.90	3.90
50yr PWLB Rate	2.90	2.90	3.00	3.10	3.20	3.30	3.40	3.50	3.60	3.70	3.70	3.80	3.80

After the August 2018 increase in Bank Rate to 0.75%, the first above 0.5% since the financial crash, the MPC has put any further action on hold, probably until such time as the fog of Brexit might clear. While the general election in December 2019 has provided political certainty leading to implementation of the UK leaving the EU on 31.1.20, there is still much uncertainty on what sort of trade deal may be agreed by the end of 2020 and its likely impact on the UK economy. ***The above forecast, and other comments in this report, are based on a central assumption that there will be some form of muddle through agreement on a reasonable form of Brexit trade deal.*** Bank Rate forecasts will have to change if this assumption does not materialise e.g. a no deal Brexit could prompt the MPC to do an immediate cut of Bank Rate. All other forecasts for investment and borrowing rates would also have to change.

### The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

**BOND YIELDS / PWLB RATES.** There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020, and a general background of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued; these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last 30 years. We have therefore seen over the last year, many bond yields up to 10 years in the Eurozone actually turn negative. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities. However, stock markets are also currently at record high levels as some investors have focused on chasing returns in the context of dismal ultra-low interest rates on cash deposits.

During the first 10 months of 2019 we therefore saw a sharp fall in longer term PWLB rates to completely unprecedented historic low levels - until the Treasury unexpectedly added 1% to all PWLB rates from 9th October 2019. Since then, those fears have partially subsided and gilt yields and PWLB rates have been rising. The potential danger that may be lurking in investor minds is that Japan has become mired in a 20 year malaise of failing to get economic growth and inflation up off the floor, despite a combination of massive monetary and fiscal stimulus by both the central bank and government. Investors could be fretting that many major western economies could be heading into a similar scenario.

Another danger is that unconventional monetary policy post 2008, (ultra-low interest rates plus quantitative easing), may end up doing more harm than good through prolonged use. Low interest rates have encouraged a debt fuelled boom which now makes it harder for economies to raise interest rates. Negative interest rates could damage the profitability of commercial banks and so impair their ability to lend and / or push them into riskier lending. Banks could also end up holding large amounts of their government's bonds and so create a potential doom loop. In addition, the financial viability of pension funds could be damaged by low yields on holdings of bonds.

### 3. Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2019/20, which includes the Annual Investment Strategy, was approved by the Council on 7<sup>th</sup> February 2019. 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 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 2019. However, the Council's current account did exceed the £5M maximum limit on 15 October by £400K for two days. This occurred as the Housing Subsidy payment received from DWP was £1.1M higher than expected. The increased amount was in respect of the Subsidy being adjusted to reflect figures supplied in the NNDR3 claim. Officers will ensure that this annual change to the Housing Subsidy will in future be identified as early as possible and included in cashflow forecasts. (The adjusted Housing Subsidy payment could be an increase or a decrease). The £5M limit was also exceeded on 4<sup>th</sup> December by £43K when £91K was unexpectedly received in the afternoon after the cut off time for deals had passed.

The average level of funds available for investment purposes during the quarter was £43.5m. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the Capital Programme. The Council holds £20.5m core cash balances for investment purposes (i.e. funds available for more than one year). The investment portfolio yield for the first nine months of the year was 1.03% This is the weighted average rate of interest earned on investments held by the Council between 1 April and 31 December. The 1.11% average interest rate shown in the table below is the weighted average rate of interest on outstanding investments on 31 December.

## Investments at 31 December 2019

	Amount	Average
	£	Interest Rate %
<b>Managed By NHDC</b>		
Banks	13,100,000	0.97
Building Societies	5,000,000	0.91
Local Authorities	18,000,000	0.93
Money Market Fund	1,000,000	0.72
<b>NHDC To Total</b>	<b>37,100,000</b>	<b>0.94</b>
<b>Managed by Tradition</b>		
Building Societies	8,500,000	1.42
<b>Tradition Total</b>	<b>8,500,000</b>	<b>1.42</b>
<b>TOTAL</b>	<b>45,600,000</b>	<b>1.11</b>

In percentage terms, this equates to:

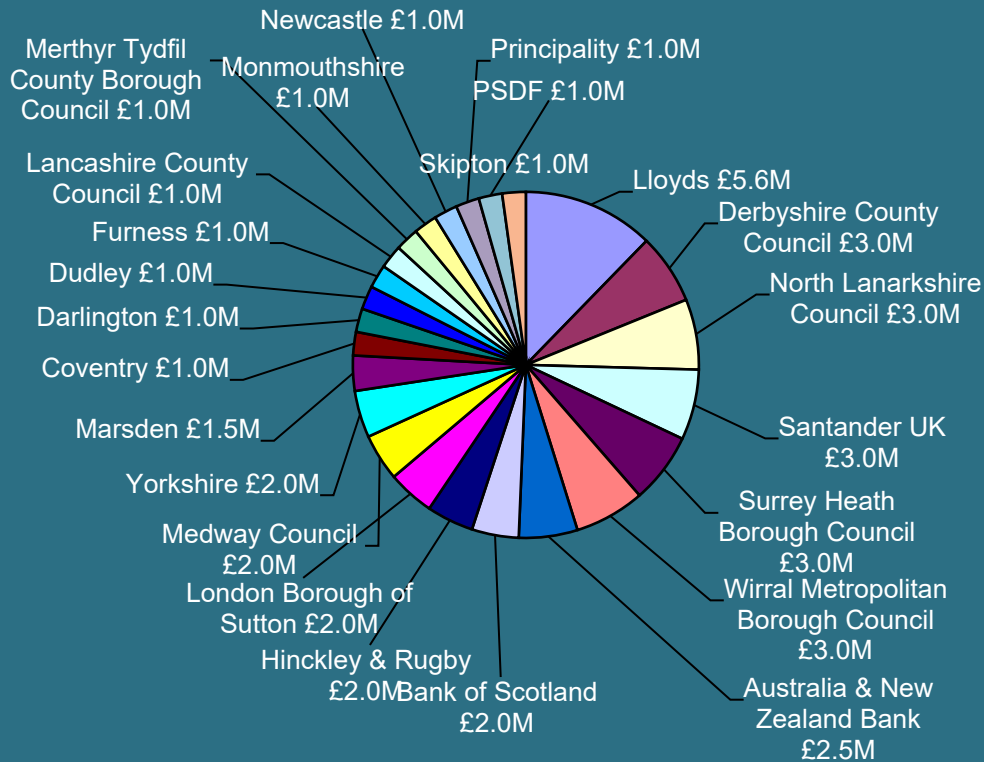
	Percentage
Money Market Funds	2
Local Authorities	42
Banks	25
Building Societies	31

The approved 19/20 strategy is that no more than 60% of investments should be placed with Building Societies with a maximum value of £18M. The value at 31 December was £13.5M

The pie chart below shows the spread of investment balances as at 31 December 2019. This is a snapshot in time that demonstrates the diversification of investments.

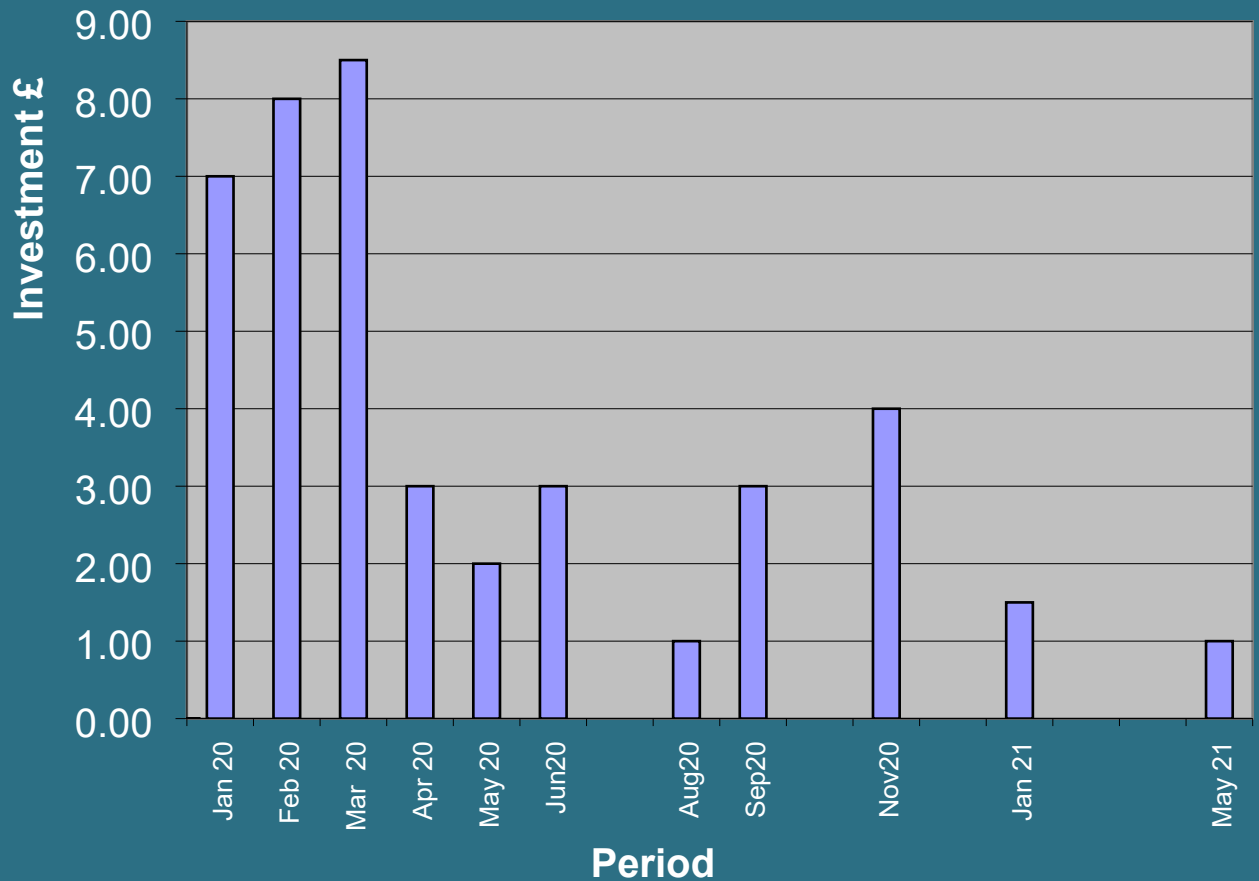


## Placement of Investments 31st December 2019



The chart below shows the Council's investment maturity profile. (This does not include the £1.0M held in the Public Sector Deposit Fund Money Market account or £2.6M held in the Lloyds current account which can be called back on any day).

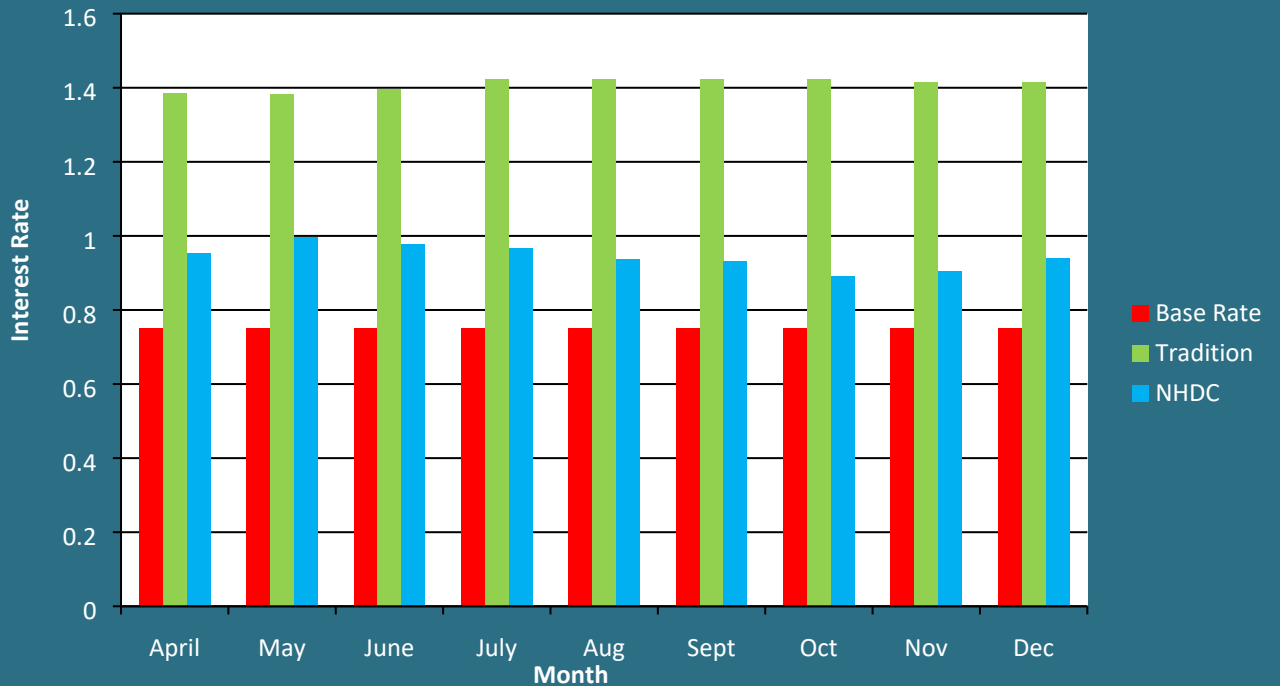
## Investment Maturity 31st December 2019



The Council's Original budgeted investment return for 2019/20 was £0.300M. The projection reported in the 1st quarter report increased to £0.372M and based on current investments and cashflow forecasts it is expected that the Council will generate £0.418M of interest. The large increase in investment income from Original budget to 3rd quarter projection is mainly due to reprofiling of the Capital programme.

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

## Average Interest Rates on Outstanding Investments



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.

Treasury indicator below shows the capital value and expected income from Capital Investment assets, alongside any borrowing that is attached to those assets and the expected cost of that borrowing.

Year	Capital value of investment assets £m	Original Expected annual income from investment assets £m	Revised Expected annual income from investment assets £m	Expected annual income from investment assets after future investment £m	Loans linked to investment assets £m	Expected annual borrowing costs for loans linked to investment assets £m
2019/20	18.899	1.089	1.156	1.156	0	0
2020/21	25.820	1.139	1.209	1.373	4.0	0.162
2021/22	29.820	1.189	1.259	1.423	4.0	0.162
2022/23	33.820	1.189	1.259	1.423	4.0	0.162

2023/24	38.820	1.189	1.259	1.423	4.0	0.162
2024/25	49.420	1.189	1.259	1.423	4.0	0.162

New borrowing costs are based on a 25 year Annuity loan from PWLB and an MRP life of 40 years.

## 4. New Borrowing

No long term borrowing was undertaken during the quarter / nine months ended 31 December 2019.

Based on 3<sup>rd</sup> quarter estimate for capital expenditure, the Council's capital financing requirement (CFR) for 2019/20 is expected to be -£5.390 (-£5.91M at the end of 18/19). 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 2019:

	Amount	Average Interest Rate
	£	%
Public Works Loans Board	£431k	9.76

Estimated outstanding debt:

Year	Forecast Borrowing £m	Forecast other long-term liabilities £m *	Forecast Total External Debt £m	Operational Boundary £m	Authorised Limit £m
31 <sup>st</sup> March 2019 (Actual)	0.440	2.628	3.068	4.2	10
31 <sup>st</sup> March 2020 (Forecast)	0.423	2.125	2.548	4.0	10
31 <sup>st</sup> March 2021 (Forecast)	4.185	1.622	5.807	6.9	12
31 <sup>st</sup> March 2022 (Forecast)	4.016	1.119	5.135	6.9	12

31 <sup>st</sup> March 2023 (Forecast)	3.845	0.616	4.461	5.5	12
31 <sup>st</sup> March 2024 (Forecast)	4.783	0.113	4.896	6.0	12

\* Comprises the finance lease relating to Letchworth Multi-storey car park and the forecast impact of the finance lease for waste vehicles.

The external borrowing forecast can be used to give an indication of the borrowing that may be required, which is combined with outstanding existing borrowing. The Council will also borrow for short-term cash-flow needs if required. The actual borrowing that is taken out will depend on the latest forecasts and the offers that are available at the time that it is required. There will also be a consideration of when any other borrowing becomes due, with the aim of achieving a spread of these dates. This is to try and avoid refinancing risk. The Council is required to set indicators for the maturity structure of its borrowing. Given the low level of borrowing that the Council currently has and is forecast to have, it is considered appropriate to maintain full flexibility as to the exact duration of any borrowing undertaken.

To manage refinancing risk, the Council sets limits on the maturity structure of its borrowing. However, these indicators are set relatively high to provide sufficient flexibility to respond to opportunities to repay or take out new debt (if it was required), while remaining within the parameters set by the indicators. Due to the low level of existing borrowing, the under 12 months limits have a broad range to allow for cash-flow borrowing (if it was required).

Maturity Period	Lower %	Upper %
Under 12 months	0	100
12 months to 2 years	0	50
2 years to 5 years	0	60
5 years to 10 years	0	70
10 years to 20 years	0	80
20 years and above	0	100

The Council does not have a need to borrow in this financial year, so therefore does not currently need to apply a Minimum Revenue Provision (MRP).

There is a prudential indicator that compares the net cost of financing (i.e. borrowing costs less income generated from investments) with the net revenue budget of the Council. However, the indicator below considers the cost of borrowing as a % of the net revenue budget of the Council.

Year	Estimated cost of borrowing £m	Forecast net revenue budget	Estimated cost of borrowing as a % of net revenue budget
2019/20	0.042	14.821	0.28
2020/21	0.203	14.808	1.37
2021/22	0.202	14.911	1.35
2022/23	0.201	15.021	1.34
2023/24	0.239	15.021	1.59

The Council is required to set a prudential indicator that estimates financing costs (cost of borrowing less income from investments) as a percentage of its net revenue budget.

Year	Estimated cost of borrowing £m	Less: Forecast of interest earned £m	Net Financing Costs £m	Forecast net revenue budget	Estimated cost of borrowing as a % of net revenue budget
2019/20	0.042	0.418	-0.376	14.821	-2.537
2020/21	0.203	0.417	-0.214	14.808	-1.445
2021/22	0.202	0.516	-0.314	14.911	-2.106
2022/23	0.201	0.526	-0.325	15.021	-2.164
2023/24	0.239	0.584	-0.345	15.021	-2.297

## 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.

## APPENDIX 1: Prudential and Treasury Indicators for 2019-20 as at 31 December 2019

Treasury Indicators	2019/20 Budget £'000	31.12.19 Actual £'000
Authorised limit for external debt	9,000	431
Operational boundary for external debt	3,600	431
Gross external debt	2,548	431

Maturity structure of fixed rate borrowing - upper and lower limits		
Under 12 months	17	17
12 months to 2 years	18	18
2 years to 5 years	58	58
5 years to 10 years	82	82
10 years to 20 years	15	15
20 years to 30 years	250	250

Prudential Indicators	2019/20 Budget £'000	31.12.19 Actual £'000
Capital expenditure	5,886	979
Capital Financing Requirement (CFR)	-0.063	-5.715
In year borrowing requirement	0	0
Ratio of financing costs to net revenue stream	-1.969	-2.01