



**North East
Derbyshire**
District Council

Our Ref:

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Date: Tuesday, 3 September 2019

To: **All Members of the Audit & Corporate Governance Scrutiny Committee**

You are summoned to attend a meeting of the Audit & Corporate Governance Scrutiny Committee to be held on **Wednesday, 11 September 2019 at 10.00 am in the Chamber 1**. District Council Offices, 2013 Mill Lane, Wingerworth, Chesterfield, S42 6NG.

Yours sincerely

A handwritten signature in cursive script, reading 'Sarah Steenberg'.

Joint Head of Corporate Governance and Monitoring Officer

A G E N D A

1 Apologies for Absence

2 Declarations of Interest

Members are requested to declare the existence and nature of any disclosable pecuniary interest and/or other interest, not already on their register of interests, in any item on the agenda and withdraw from the meeting at the appropriate time.

3 Minutes of Last Meeting (Pages 4 - 9)

To approve as a correct record and the Chair to sign the Minutes of the Audit and Corporate Governance Scrutiny Committee held on 25 July 2019.

4 Treasury Management and Investment Opportunities

Presentation by Arlingclose

5 Annual Audit Letter (Pages 10 - 26)

Report of the External Auditor (Mazars)

6 Reports of the Internal Audit Consortium

- a. Internal Audit Consortium Summary of Progress on the Annual Internal Audit Plan 2019/20 (Pages 27 - 31)
- b. The Role of the Head of Internal Audit (Pages 32 - 57)

7 Reports of the Chief Accountant and S151 Officer

- a. Medium Term Financial Plan - Budget Monitoring Report Quarter 1 - April to June 2019 (Pages 58 - 73)
- b. Risk Management Update, Partnership Working and Strategic Risk Register (Pages 74 - 88)

8 Corporate Plan Targets Performance Update April to June (Q1 - 2019/2020)
(Pages 89 - 101)

Report of the Information, Engagement and Performance Manager

9 Corporate Work Programme (Pages 102 - 110)

Report of the Joint Head of Corporate Governance and Monitoring Officer

10 Urgent Items

To consider any other items which the Chair is of the opinion should be considered as a matter of urgency.

11 Exclusion of Public

The Chair to Move:

“That the public be excluded from the meeting during the discussion of the following item of business to avoid the disclosure to them of exempt information as defined in Paragraph 3, Part 1 of Schedule 12A to the Local Government Act 1972”. (As amended by the Local Government (Access to Information) (Variation) Order 2006)

12 Request from Parish Council

Email request attached

(Paragraph 3)



***We speak
your language***

Polish
Mówimy Twoim językiem

French
Nous parlons votre langue

Spanish
***Hablamos su
idioma***

Slovak
***Rozprávame Vaším
jazykom***

Chinese
我们会说你的语言

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217753**

If you require an adjustment to enable you to participate in or access the meeting please contact the Governance Team at least 72 hours before the meeting starts.

AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 25 JULY 2019

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AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 25 JULY 2019

Present:

Councillor M Foster (Chair)

Councillor W Armitage
“ N Barker
“ A Hutchinson

Councillor P R Kerry
“ G Morley
“ M Roe

Also Present:

J Dethick - Chief Accountant
K Hanson - Strategic Director – Place
J Williams - Internal Audit Consortium Manager
M Norman - Mazars
D Stanton - Governance Officer

146 Draft Council Plan Consultation

The Joint Strategic Director – Place, gave a verbal update on the draft Council Plan Consultation.

Members noted that the Council had always faced an ongoing difficult budget situation, and previous measures taken to relieve the financial pressure on the Authority were discussed. The Committee reiterated their commitment to work together constructively.

The Joint Strategic Director – Place, encouraged Members with any further concerns or comments to contact her directly.

RESOLVED – That the update be noted.

147 Role of the Audit Committee and Committee Work Programme

The Committee received a presentation from the Chief Accountant and the Internal Audit Consortium Manager which outlined the role of the Audit Committee and the Committee Work Programme.

It was requested that a further training session be given to provide Members with a greater understanding of the remit of the Committee, and their role in providing effective scrutiny.

RESOLVED – That the update be noted.

148 Apology for Absence

An apology for absence had been received from Councillor K Tait.

149 Declarations of Interest

Members were requested to declare the existence and nature of any disclosable pecuniary interests and/or other interests, not already on their register of interests, in any item on the agenda and to withdraw from the meeting at the appropriate time.

No declarations of interest were declared at this meeting.

150 Minutes of Last Meeting

RESOLVED – That the Minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 18 April 2019 be noted.

151 Audit Completion Report

Members were presented with a report of the Council's External Auditor (Mazars) that outlined the Audit Completion Report.

Members agreed that it was a positive report, and that it showed a Council in good financial health.

The Committee discussed high risk and low risk investments. Officers advised that the Council engaged treasury management consultants to assist with such decisions. A fairly risk averse approach had been taken to date regarding investments. This was currently being reviewed by Cabinet.

Members enquired about the value for money conclusions. Officers advised that due to current national pressures in Whitehall it was likely that the 2019/20 settlement would be rolled over in 2020/21 with a three year settlement following in 2021/22. Therefore current funding, including new homes bonus, would be likely to continue into 2020/21.

The Committee discussed the significant findings within the report and the significant risks that were associated with estimating the Council's assets. The officers informed Members that it was deemed to be a significant risk because it was an accounting estimate that could result in a material misstatement if incorrectly valued.

The external auditor confirmed that there were no further findings, and that the report was in its final stages and due for completion by the deadline of 31 July 2019.

RESOLVED – That:-

- (1) The Audit and Corporate Governance Scrutiny Committee gives its consideration to the report from the Council's external auditors, Mazars.

- (2) The Audit and Corporate Governance Scrutiny Committee approves the Letter of Representation contained within the Audit Completion Report and authorises the Chair of the Audit & Corporate Governance Scrutiny Committee, and the Chief Financial Officer, to sign the letter on behalf of the Council.

152 Implementation of Internal Audit Recommendations

The Internal Audit and Consortium Manager presented a review that outlined the progress made in respect of implementing internal audit recommendations. Members noted that 48 recommendations had been implemented so far in 2018/19, in comparison to 70 in 2017/18 and 62 in 2016/17.

The Committee reiterated their desire for further training, so that they could gain an understanding on how the internal reports were carried out. The officers stated that the reports were sent to the Quarterly Directorate Meetings who saw the report each quarter, and that the report then went to the Audit Committee every six months.

Members discussed the health and safety July 2018 audit, and the financial impacts of such measures.

RESOLVED – That the update be noted.

153 Summary of Progress on the Annual Internal Audit Plan 2018/19 and 2019/20

The Internal Audit Consortium Manager presented a report that outlined a summary of internal audit reports issued between 6 April 2019 to 30 June 2019.

The officers advised that the Committee had previously agreed that full copies of any limited assurance and inadequate assurance reports were brought to Members. It was stated, however, that there was no such reports to bring before Members at this meeting.

Members enquired about the role that Senior Management played in accepting the recommendations and how they worked with officers.

RESOLVED – That the update be noted.

154 Internal Audit Consortium 2018/19 Annual Report to North East Derbyshire District Council

The Internal Audit Consortium Manager presented a report that outlined a summary of the internal work undertaken during 2018/19.

Members noted that there had been 31 reports in 2018/19 where 52% had a substantial assurance level, 42% had a reasonable assurance level, and 6% had a limited assurance level.

Members stated that different assurance level categories had been used in different municipal years, and as a result this had made year-on-year comparison difficult. It

was suggested that categories were made equivalent and the Internal Audit Consortium Manager endeavoured to include this in the next progress report.

RESOLVED – That the update be noted.

155 North East Derbyshire District Council Statement of Accounts 2018/19

The Chief Accountant presented a report that outlined the Statement of Accounts for 2018/19.

Members thanked the officer for the report. The Chief Accountant wished to place on record her sincere thanks to her team for their support and effort in producing the accounts this year.

RESOLVED – That:-

- (1) The Audit & Corporate Governance Scrutiny Committee approves the audited Statement of Accounts in respect of 2018/19.
- (2) Delegated powers be granted to the Chief Accountant, in consultation with the Chair or Vice Chair of the Audit and Corporate Governance Scrutiny Committee, to agree any changes which may be necessary in order to ensure the finalisation of the external audit currently being concluded by the Council's external auditors Mazars to ensure completion of the Statement of Accounts by 31 July 2019.

156 Medium Term Financial Plan – Financial Outturn 2018/19

The Chief Accountant presented a report that outlined the outturn position of the Council for the 2018/19 financial year. It was stated that the report had been noted by Cabinet on 13 June 2019.

RESOLVED – That the update be noted.

157 Corporate Debt – Quarter 1

The Chief Accountant presented a report that outlined a summary of the corporate debt position as at 30 June 2019.

Members enquired about the collection rates at Rykneld Homes, and what percentage of tenants paid by direct debit. The Committee agreed that whilst the non collection rate was low it was still costing the Council a significant amount.

The Committee discussed Universal Credit and the impact this has had on rent collection. Members also discussed problems with the collection of rents from business units and how the Committee's previous input had achieved better results.

RESOLVED – That the report be noted.

158 Urgent Business

The Chair informed Members that the Vice Chair had attended a Joint ICT Committee and had some concerns. Members agreed that they would like to call in the Joint Head of Partnerships and Transformation to answer questions from the Committee.

The Chair also stated that he would like to see the Right to Buy Policy included on the future Work Programme and the statutory guidance surrounding the Policy.

AUDIT MINS (0725) 2019/AJD

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

11 September 2019

Annual Audit Letter 2018/19

Report of the Council's External Auditor Mazars

This report is public

Purpose of the Report

- For the Audit and Corporate Governance Scrutiny Committee to consider the Annual Audit Letter in respect of 2018/19 which has been prepared by Mazars for consideration by elected Members of the Council and other stakeholders.

1 Report Details

- 1.1 That the Audit and Corporate Governance Scrutiny Committee consider the attached report from the Council's External Auditors (Mazars).
- 1.2 A copy of the Annual Audit Letter has been posted on the Council's website and following consideration at this meeting will be included on the Council agenda for information on 11 November 2019.

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that the Audit and Corporate Governance Scrutiny Committee is able to effectively consider the outcomes of the work undertaken by the Council's external auditors.

3 Consultation and Equality Impact

- 3.1 None arising directly from the report.

4 Alternative Options and Reasons for Rejection

- 4.1 No alternatives available, an appropriate level of consideration by Elected Members and other stakeholders must take place.

5 Implications

5.1 Finance and Risk Implications

There are no additional financial implications arising out of this report.

5.2 Legal Implications including Data Protection

None arising directly from this report.

5.3 Human Resources Implications

None arising directly from this report.

6 Recommendations

- 6.1 That the Audit and Corporate Governance Scrutiny Committee considers and notes the attached report from the Council's External Auditors, Mazars.

7 Decision Information

| | |
|--|----------------|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| Has relevant Portfolio Member been informed? | Yes |
| District Wards Affected | None directly. |
| Links to Corporate Plan priorities or Policy Framework | All |

8 Document Information

| Appendix No | Title |
|--|---|
| 1 | Annual Audit Letter 2018/19 |
| Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers) | |
| Report Author | Contact Number |
| Jayne Dethick – Chief Accountant and Section 151 Officer | 01246 217658 |

Annual Audit Letter

North East Derbyshire District Council

Year ending 31 March 2019





CONTENTS

1. Executive summary
2. Audit of the financial statements
3. Value for Money conclusion
4. Other reporting responsibilities
5. Our fees
6. Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for North East Derbyshire District Council for the year ended 31 March 2019. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

| Area of responsibility | Summary |
|--|---|
| Audit of the financial statements | <p>Our auditor's report issued on 31 July 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council and the Group's financial position as at 31 March 2019 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. |
| Other information published alongside the audited financial statements | <p>Our auditor's report issued on 31 July 2019 included our opinion that:</p> <ul style="list-style-type: none">• The other information in the Statement of Accounts is consistent with the audited financial statements. |
| Value for Money conclusion | <p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p> |
| Reporting to the group auditor | <p>In line with group audit instructions issued by the NAO, on 31 July 2019 we reported to the group auditor in line with the requirements applicable to the Council's WGA return.</p> |
| Statutory reporting | <p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p> |

2. AUDIT OF THE FINANCIAL STATEMENTS

| | |
|-------------------------------------|-------------|
| Opinion on the financial statements | Unqualified |
|-------------------------------------|-------------|

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council’s financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor’s report, issued to the Council on 31 July 2019, stated that, in our view, the financial statements give a true and fair view of the Council’s financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit and Corporate Governance Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

| | | |
|---------------------------------|--|---------------------|
| Financial statement materiality | Our financial statement materiality is based on 2% of Gross Revenue Expenditure at a Surplus/Deficit on Provision of Services level | £1,910k |
| Trivial threshold | Our trivial threshold is based on 3% of financial statement materiality. | £57k |
| Specific materiality | We have applied a lower level of materiality to the following areas of the accounts: - Officers remuneration (bandings) - Members allowances - Audit Fees | £5k £79k £11k |

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit and Corporate Governance Committee within the Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

| Identified significant risk | Our response | Our findings and conclusions |
|--|---|--|
| <p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p> | <p>We addressed this risk by:</p> <ul style="list-style-type: none">• Documenting our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding;• Testing the appropriateness of journal entries recorded in the general ledger and other material adjustments made in the preparation of the financial statements;• Evaluating the business rationale for any significant transactions outside the course of the business;• Understanding the oversight given by those charged with governance of management process over fraud;• Making enquiries of management and Internal Audit regarding actual or any suspicions of fraud; and• Considering whether the Council's accounting policies are consistent with industry standards. | <p>There are no matters arising from our work on management override of controls</p> |
| <p>Valuation of property, plant and equipment and investment properties</p> <p>The Council employs a valuation expert to provide information on revaluations, however there remains a high degree of estimation uncertainty associated with the revaluations of PPE due to the significant judgements and number of variables involved.</p> | <p>We addressed this risk through performing the following audit work:</p> <ul style="list-style-type: none">• Testing a sample of assets valued during the year to valuation reports;• Where material, testing the basis for impairment of assets, the value and correct accounting treatment;• Critically assessing the Council's valuer's scope of work and methodology used for a sample of valuations; and• Considering the impact of any assets not valued during the year. | <p>We are satisfied the estimates were reasonable and materially correct.</p> |

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks (continued)

| Identified significant risk | Our response | Our findings and conclusions |
|--|---|--|
| <p>Valuation of defined benefit pension net liability</p> <p>The Council's accounts contain material liabilities relating to the Local Government Pension Scheme (LGPS). The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p> | <p>To address this risk we:</p> <ul style="list-style-type: none">• Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office;• Agreed the data in the IAS 19 valuation reports provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements;• Critically assessed the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Hymans Robertson; and• Liaised with the auditors of the Derbyshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate. | <p>The Council obtained an updated IAS19 valuation report from the Actuary in July 2019, to take into account:</p> <ul style="list-style-type: none">- the implications of the GMP and McCloud judgments, which impacted on the estimated pension liabilities and had not been taken into account by the Actuary in their original report; and- changes to the Pension Fund's asset values at 31 March 2019, as the Actuary's original report had been based on a forecast year-end valuation. <p>The report included material differences to the original report used to prepare the draft financial statements. Management amended the draft financial statements for these differences.</p> <p>We are satisfied that the final estimates included in the financial statements are reasonable and materially correct.</p> |

2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. The matters we report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. We have not identified any significant control deficiencies that we are required to report to you.

3. VALUE FOR MONEY CONCLUSION

| | |
|----------------------------|-------------|
| Value for Money conclusion | Unqualified |
|----------------------------|-------------|

Our approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Our auditor’s report, issued to the Council on 31 July 2019, stated that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019.

Significant Value for Money risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Completion Report we reported that we had not identified any significant Value for Money risks but we set out our findings in relation to one area which we had kept under review:

- Financial sustainability – the medium term financial position is uncertain (common to all bodies in the sector) and the demands/funding assumptions indicate a likely shortfall in future years. The Council is sighted on needing to be self-sufficient due to falling government grant levels.

Before forming our Value for Money Conclusion we:

- Reviewed the 2018/19 financial performance and forecasts during the year and considered the Council’s financial outturn position as presented in the financial statements.
- Reviewed the 2019/20:
 - Revenue and Capital budgets and Medium Term Financial Plan
 - Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies
- Considered the Council’s latest financial monitoring information and its updated medium term outlook
- Discussed the Transformation Programme arrangements with managers and reviewed progress monitoring reports
- Updated our overall risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports
- Reviewed the Council’s Annual Governance Statement for any significant issues
- Considered the general findings from our audit work in other areas.

3. VALUE FOR MONEY CONCLUSION

| | |
|----------------------------|-------------|
| Value for Money conclusion | Unqualified |
|----------------------------|-------------|

The Council recognises the key issues are achieving efficiencies to balance its medium term financial plan, in the face of demand and cost pressures, and managing its general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. The Medium Term Financial Plan (MTFP) sets out the key assumptions on both income and expenditure as well as the savings required over the period. The 2018/19 Derbyshire Business Rates Pilot has provided a windfall of around £1.5m and the £4.5m 'Invest to Save' reserve provides the Council with a platform for the next 12-18 months important to deliver the transformation required to secure long term financial sustainability. The Transformation Programme is broad based and includes themes designed to strengthen the organisation's capacity and capability to escalate the delivery of the specific improvements and efficiencies required in the medium term. There are programme and project management arrangements in place and progress is being tracked. The identification and delivery of savings will continue to be challenging and further work is in hand to firm up specific saving plans for 2020/21 and beyond. The outcome of the Fair Funding review will help inform the Council's plans.

From the work performed, no new significant VFM risks were identified.

4. OTHER REPORTING RESPONSIBILITIES

| | |
|--|-------------------------------|
| Exercise of statutory reporting powers | No matters to report |
| Reporting to the NAO in respect of Whole of Government Accounts consolidation data | Assurance Statement submitted |
| Other information published alongside the audited financial statements | Consistent |

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- Issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 31 July 2019.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Audit and Corporate Governance Committee in April 2019.

We have completed our work for the 2018/19 financial year, including the additional work required relating to the material amendments to the Pension estimates included in the Financial Statements as described at page 5. The final fee for the audit is subject to PSAA approval and has not been confirmed yet:

| Area of work | 2018/19 proposed fee | 2018/19 final fee* |
|---|----------------------|--------------------|
| Delivery of audit work under the NAO Code of Audit Practice | £43,510 | £43,510* |

* the final fee for the 2018/19 audit has not been confirmed yet.

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

6. FORWARD LOOK

Audit Developments

Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. We have responded to the National Audit Office's consultation on the content of the Code (<https://www.nao.org.uk/code-audit-practice/about-code/>)

A new Code will be laid in Parliament in time for it to come in to force no later than 1 April 2020.

Financial Resilience

Fair Funding Review

The Council will need to incorporate the outcome of the Spending Review, due in the latter half of 2019, into its Medium Term Financial Plan. The Spending Review will set out the department allocations for 2020/21 and potentially beyond. Regardless of the timing and period covered by the Spending Review, the Council recognises the key issue is the management of general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. It must, therefore, ensure it clarifies and quantifies how it will bridge the funding gap through planned expenditure reductions and/ or income generation schemes.

Local Authority Financial Resilience Index

CIPFA is moving forward with its financial resilience index, which it believes will be a barometer on which local authorities will be judged. We would expect the Council to have at least considered the index once it is formally released.

Commercialisation

The National Audit Office will be publishing a report on Commercialisation during 2019. Depending on the Council's appetite for Commercialisation, we would expect the Council to consider the outcome of the report and ensure any lessons learnt are incorporated into business practice.

Further, the UK Debt Management Office's Annual Report, published on 23 July 2019, reported that, as at 31 March 2019, the Public Works Loan Board's loan book was £78.3 billion with 1,308 new loans totalling £9.1 billion advanced during the year. As a result, we expect local authorities to clearly demonstrate:

- the value for money in the use of Public Works Loan Board funds to acquire commercial property
- the arrangements for loan repayment through the updated Statutory Guidance on Minimum Revenue Provision in 2019/20, 2020/21 and beyond.

Financial Reporting

UK Local Government Annual Accounts

The CIPFA/LASAAC Local Authority Code Board specifies the financial reporting requirements for UK local government. A consultation is underway to inform the direction and strategy for local government annual accounts. We will be submitting our response and suggest practitioners also voice their opinion.

Lease accounting

The implementation of IFRS 16 Leases in the Code is delayed until 1 April 2020. The Council will need a project plan to ensure the data analysis and evaluation of accounting entries is completed in good time to ensure any changes in both business practice and financial reporting are captured.

6. FORWARD LOOK

Financial outlook

It is clear that the Council faces some of the most difficult decisions it has ever faced in balancing the budget going forwards. Although the Council does have reserves available to minimise the immediate impact these are a temporary or transitional cushion while the savings needed are identified and delivered.

In addition, the reserves available to support the budget are reducing and the available balances will soon reach the minimum needed to deal with unforeseen circumstances and risk, and will not be available to support the revenue budget in the way that they have in recent years. The key message from those councils that have already faced a financial crisis, such as Northamptonshire and others, is the importance of taking early action to secure financial sustainability before the position becomes unmanageable.

The position beyond 2019/20 is very uncertain as much depends on the outcome of the comprehensive spending review, fair funding review and the measures that will be taken in relation to the future operation of the business rates system. However, it seems unlikely that the overall financial position for the Council will improve sufficiently to allow it to defer any of the difficult decisions that are now needed.

Decisive action to bridge the budget gap over the medium term is a key priority for the Council.

How we will work with the Authority

We will focus our work on the risks that your challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

In the coming year we will continue to support the Council by:

- continued liaison with the Council’s Internal Auditors to minimise duplication of work;
- attending Audit and Corporate Governance Committee meetings and presenting an Audit Progress Report including updates on regional and national developments; and
- hosting events for staff, such as our Local Government Accounts workshop.

We will meet with key Council officers to identify any learning from the 2018/19 audit and will continue to share our insights from across local government and relevant knowledge from the wider public and private sector.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

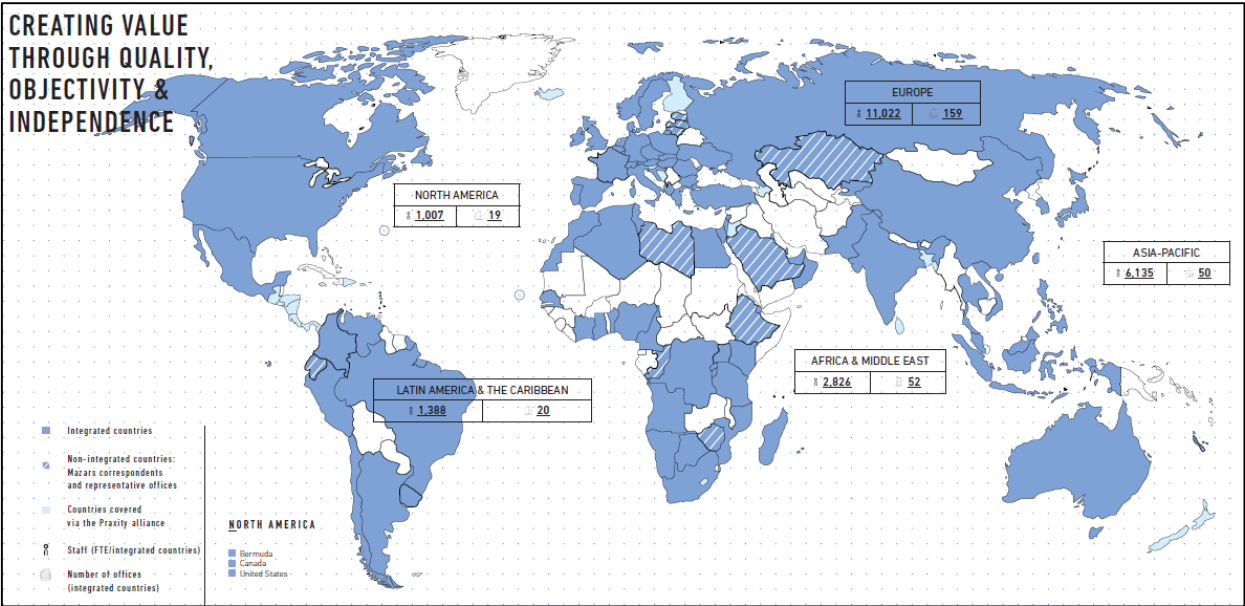
The Council has taken a positive and constructive approach to our audit and we wish to thank Members and officers for their support and co-operation during our audit.

MAZARS AT A GLANCE

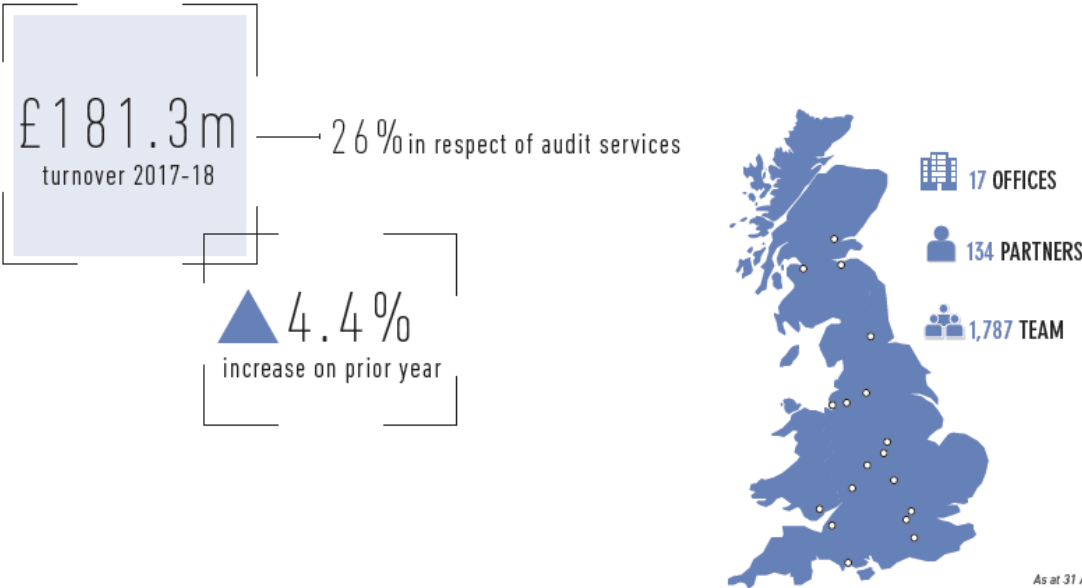
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- Fee income €1.6 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
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Mazars Internationally



Mazars in the UK



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North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

11 September 2019

| |
|---|
| <p>Internal Audit Consortium Summary of Progress on the Annual Internal Audit Plan 2019/20</p> |
|---|

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- To present, for members' information, progress made by the Audit Consortium in respect of the 2019/20 Internal Audit Plan. The report includes a summary of Internal Audit Reports issued since the last meeting of the committee.

1 Report Details

- 1.1 The 2019/20 Consortium Audit Plan for North East Derbyshire was agreed at the Audit and Corporate Governance Scrutiny Committee on the 18th April 2019. The Consortium Legal Agreement in paragraph 9.3 requires that the Head of the Internal Audit Consortium (HIAC) or his or her nominee will report to the Audit Committee of each Council on progress made in relation to their annual Audit Plan.
- 1.2 Attached, as Appendix 1, is a summary of reports issued between the 1st July 2019 and the 23rd August 2019. 4 reports have been issued, 2 with substantial assurance and 2 with reasonable assurance.
- 1.3 Reports are issued as Drafts with five working days being allowed for the submission of any factual changes, after which time the report is designated as a Final Report. Fifteen working days are allowed for the return of the Implementation Plan.
- 1.4 The Appendix shows for each report a summary of the level of assurance that can be given in respect of the audit area examined and the number of recommendations made / agreed where a full response has been received.
- 1.5 The assurance provided column in Appendix 1 gives an overall assessment of the assurance that can be given in terms of the controls in place and the system's ability to meet its objectives and manage risk in accordance with the following classifications:

| Assurance Level | Definition |
|------------------------------|---|
| Substantial Assurance | There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed. |
| Reasonable Assurance | The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed. |
| Limited Assurance | Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed. |
| Inadequate Assurance | There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives. |

- 1.6 At the last Committee meeting members asked for definitions of the previous audit criteria for assessing audit areas in order to be able to judge the direction of travel. The above levels of assurance have been in place since April 2017. The external review of internal audit recommended updating to a system of assurance levels. Previously there were 5 definitions but now there are 4 so the two are not directly comparable. The previous criteria are detailed in the table below :-

| Control Level | Definition |
|-----------------------|---|
| Good | A few minor recommendations (if any). |
| Satisfactory | Minimal risk; a few areas identified where changes would be beneficial. |
| Marginal | A number of areas have been identified for improvement. |
| Unsatisfactory | Unacceptable risks identified, changes should be made. |
| Unsound | Major risks identified; fundamental improvements are required. |

- 1.7 In respect of the audits being reported, it is confirmed that there were no issues arising relating to fraud that need to be brought to the Committee's attention.
- 1.8 Audits currently in progress:-

- Leisure (Financial)
- Transformation Agenda

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of progress on the Internal Audit Plan for 2019/20 and the Audit Reports issued.

2.2 To comply with the requirements of the Public Sector Internal Audit Standards.

3 Consultation and Equality Impact

3.1 None.

4 Alternative Options and Reasons for Rejection

4.1 None.

5 Implications

5.1 Finance and Risk Implications

5.1.1 The regular reporting of the progress made by the Internal Audit Consortium enables Members to monitor progress against the approved internal audit plan.

5.2 Legal Implications including Data Protection

5.2.1 None.

5.3 Human Resources Implications

5.3.1 None.

6 Recommendation

6.1 That the report be noted.

7 Decision Information

| | |
|--|----|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |

| | |
|---|-----|
| Has the relevant Portfolio Holder been informed | N/A |
| District Wards Affected | All |
| Links to Corporate Plan priorities or Policy Framework | All |

8 Document Information

| Appendix No | Title |
|--|--|
| 1 | Summary of Internal Audit reports issued in respect of the 2019/20 Internal Audit Plan 1st July 2019 to the 23rd August 2019 |
| Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers) | |
| | |
| Report Author | Contact Number |
| Jenny Williams Internal Audit Consortium Manager | 01246 217547 |

AGIN 6(a) Annual Internal Audit Plan 2019/20

NORTH EAST DERBYSHIRE DISTRICT COUNCIL

Appendix 1

Internal Audit Consortium - Report to Audit and Corporate Governance Scrutiny Committee

Summary of Internal Audit Reports Issued 1st July 2019 – 23rd August 2019

| Report Ref No. | Report Title | Scope and Objectives | Assurance Provided | Previous Control Level | Date | | Number of Recommendations | |
|----------------|--|--|--------------------|------------------------|---------------|--------------|---------------------------|----------|
| | | | | | Report Issued | Response Due | Made | Accepted |
| N003 | Business Continuity and Emergency Planning | To ensure that there are adequate arrangements in place for the Council to meet its obligations | Substantial | Reasonable | 2/7/19 | 23/7/19 | 5 (1M 4L) | Note 1 |
| N004 | Corporate Targets and Local Indicators | To ensure that targets are calculated correctly in line with the definition | Reasonable | Substantial | 24/7/19 | 14/8/19 | 3 (2M 1L) | 3 |
| N005 | Safeguarding | To ensure there are appropriate policies and procedures in place | Reasonable | Reasonable | 26/7/19 | 16/8/19 | 3 (1M 2L) | 3 |
| N006 | National Non Domestic rates | To ensure that bills are raised promptly and accurately and that there are debt collection procedures in place | Substantial | Reasonable | 20/8/19 | 11/9/19 | 3L | Note 2 |

Note 1 – response not received at time of writing report

Note 2 – response not due at time of writing report

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

11 September 2019

| |
|--|
| <p>The Role of the Head of Internal Audit</p> |
|--|

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- This report is to notify members of an updated publication by The Chartered Institute of Public Finance and Accountancy (CIPFA) which is CIPFA's Statement on the role of the head of internal audit in Public Service Organisations (2019 edition). This replaces the previous 2010 edition.

1 Report Details

Background

- 1.1 Heads of internal audit in the public services face challenges ensuring that professional standards are maintained and their internal audit teams remain effective. The organisation in which internal audit operates has a direct impact on the level of resource, scope and authority given to internal audit. CIPFA considers it essential that public service organisations properly support their internal auditors to enable them to meet the standards. For these reasons CIPFA felt it was an opportune time to refresh and update the 2010 statement on the role of the head of internal audit.
- 1.2 The statement sets out the five principles that define the core activities and behaviours that belong to the role of the head of audit in public service organisations and the organisational arrangements needed to support them.

Core Principles

- 1.3 The core principles are detailed below along with a summary of the NEDDC situation.
- 1.4 The head of internal audit in a public service organisation plays a critical role in delivering the organisations strategic objectives by:

- 1 objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management and internal control

NEDDC situation – The internal audit plan is a risk based plan that covers all of the council's activities on a cyclical basis. Each audit considers the risks faced by the service being audited and the internal controls in place. Internal Audit review and assess the council's risk management processes. The Internal Audit Consortium Manager is part of the Annual Governance Statement working party that assesses the council's compliance with the Code of Corporate Governance and formulates the Annual Governance Statement.

- 2 championing best practice in governance and commenting on responses to emerging risks and proposed developments

NEDDC situation – internal audit test schedules are based on best practice. Emerging risks and proposed developments are identified when setting the audit plan and built in to the audit programme. More focus is now placed on emerging risks in non -financial areas such as health and safety and safeguarding. The internal audit team have assessed the controls in place in relation to the Council's Joint Venture Company. The Internal Audit Consortium Manager attends all quarterly directorate meetings that are attended by senior managers and members.

The Internal Audit Consortium Manager contributes to reviews of the Audit, Corporate and Governance Scrutiny Committee's effectiveness against CIPFA's best practice guidance with the aim of identifying opportunities for improvement.

To perform this role the head of internal audit must:

- 3 be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee

NEDDC situation – The Internal Audit Consortium Manager is a senior manager that regularly attends quarterly directorate meetings and reports directly to the Strategic Director People. The Internal Audit Consortium Manager also has direct access to the Audit and Corporate Governance Scrutiny Committee and attends every committee meeting with a variety of reports.

- 4 lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively

NEDDC situation – The Joint Board approve the Internal Audit

Consortium's budget. The budget is based on an audit plan that enables the Internal Audit Consortium Manager to provide an opinion on the adequacy of governance, risk management and internal control arrangements.

Being part of a consortium enables best practice, skills and knowledge to be shared across the council's.

The team undertake continuous professional development by attending training events, team meetings and reading professional magazines.

The Consortium had an external review of its service in October 2016 that concluded that the service was compliant with the Public Sector Internal Audit Standards. A self -assessment is also undertaken on an annual basis.

5 be professionally qualified and suitably experienced.

NEDDC Situation – The Internal Audit Consortium Manager is CIPFA qualified, undertakes continuous professional development and has been in internal audit since 1996.

The participation in Nottinghamshire and Midlands audit group meetings enables network opportunities, professional development and the sharing of best practice.

2 Conclusions and Reasons for Recommendation

- 2.1 This report ensures that Members are aware of best practice in relation to the role of the head of internal audit and can consider if the head of internal audits role at the council is appropriate and meets best practice.

3 Consultation and Equality Impact

- 3.1 Not applicable.

4 Alternative Options and Reasons for Rejection

- 4.1 None.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 The Head of Internal Audit occupies a critical position as it helps the council to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements. By complying with the principles in CIPFA's Statement on the role of the head of internal audit the risk of not having sound corporate governance arrangements in place is reduced.

5.2 Legal Implications including Data Protection

- 5.2.1 None.

5.3 Human Resources Implications

- 5.3.1 None.

6 Recommendation

- 6.1 That the Audit and Corporate Governance Scrutiny Committee endorse the arrangements and processes set out in the report as meeting the requirements of the CIPFA statement on the Role of the Head of Internal Audit.

7 Decision Information

| | |
|---|-----|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| Has the relevant Portfolio Holder been informed | N/A |
| District Wards Affected | All |
| Links to Corporate Plan priorities or Policy Framework | All |

8 Document Information

| Appendix No | Title |
|--|--|
| 1 | CIPFA Statement on the role of the head of internal audit in Public Service Organisations (2019 edition) |
| Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers) | |
| | |
| Report Author | Contact Number |
| Jenny Williams Internal Audit Consortium Manager | 01246 217547 |

CIPFA Statement on

\ the role of the head of internal audit

in Public Service Organisations
(2019 edition)

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

Head of internal audit

The executive responsible for the organisation's internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. This could be someone from another organisation where internal audit is contracted out or shared with others. In PSIAS this role is referred to as the chief audit executive.

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\ introduction

The head of internal audit (HIA) occupies a critical position in any organisation, helping it to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements and playing a key role in promoting good corporate governance. The aim of this Statement is to set out the role of the HIA in public service organisations and to help ensure organisations engage with and support the role effectively.

The UK Public Sector Internal Audit Standards (PSIAS) provide clear standards for internal audit but heads of internal audit in the public services face challenges ensuring professional standards are maintained and their internal audit teams remain effective. One key reason for this is that the organisation in which they operate has a direct impact on the resources, scope and authority given to internal audit. While HIAs must step up and deliver a professional service to the best of their ability, it is important to recognise this responsibility does not lie solely with the HIA. As one of the setters of the PSIAS, CIPFA considers it essential that public service organisations properly support their internal auditors to enable them to meet the standards.

For this reason it is critical that the CIPFA statement sets out not only the responsibilities of the HIA but also those of the organisation. CIPFA champions good governance and strong public financial management in public services and believes internal audit has an essential role to play in supporting those objectives. CIPFA considers that HIAs need recognition for their contributions, together with support and encouragement. For these reasons we believe the time is right for an updated CIPFA Statement.

Many heads of internal audit have already risen to the challenges and so alongside the updated CIPFA Statement we are publishing examples of how they are putting principles into practice, providing excellent support and assurance to their organisations and clients. We hope the Statement and this resource will both inspire and support internal audit going forward.

This edition ensures there is alignment to the PSIAS 2017. It explicitly links to the Core Principles for the Professional Practice of Internal Auditing, helping to demonstrate how the HIA role supports internal audit effectiveness.

The intended audience for this statement is not just HIAs in the public services. It should be read by all those with a leadership role in public bodies and by members of audit committees. CIPFA recommends those bodies evaluate their organisational arrangements for internal audit and consider the extent to which they align to the principles. We hope it will be the basis of conversations between the HIA, the leadership team and the audit committee and that the vital role of the HIA is given its due recognition and support.

Let's create the conditions in which heads of internal audit and their teams can thrive.

Rob Whiteman
Chief Executive, CIPFA

\ status of the CIPFA Statement

The Statement is principle-based and should be relevant to all public service organisations and their HIAs. It is intended to be helpful to a wide audience including leadership teams, chief executives, audit committees and other stakeholders as well as HIAs themselves.

We believe organisations should see the Statement as best practice and use it to support their HIA arrangements and drive up audit quality and governance arrangements.

We also commend the Statement to individual internal audit professionals. It articulates the core responsibilities of the HIA, as well as the personal and professional skills that they need.

The CIPFA Statement and the Public Sector Internal Audit Standards

The Relevant Internal Audit Standard Setters (RIASS)¹ mandate the PSIAS for their respective areas of responsibility in the public services. They work together to agree standards taking advice from the Internal Audit Standards Advisory Board.

In PSIAS, as in the International Professional Practices Framework, the term chief audit executive is used to describe the role of the person responsible for managing internal audit. CIPFA has decided to use the more familiar term head of internal audit for the benefit of the wider readership of this Statement.

Statement approach and structure

The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:

- the organisation
- the role
- the individual.

For each principle the Statement sets out the organisation's responsibilities to ensure HIAs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA, consistent with PSIAS. Where responsibilities are delegated the nominated HIA retains overall accountability.

Summaries of personal skills and professional standards then detail the leadership competencies and technical expertise organisations can expect from their HIA. These include the requirements of CIPFA and the other professional bodies' codes of ethics and the PSIAS Code of Ethics to which the HIA is bound. The personal skills support all five principles and are shown together, providing a handy reference for the person specification of the HIA.

¹ The Relevant Internal Audit Standard Setters are: HM Treasury in respect of central government; the Scottish Government, the Department of Finance and Personnel Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health in respect of the health sector in England (excluding Foundation Trusts); and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.

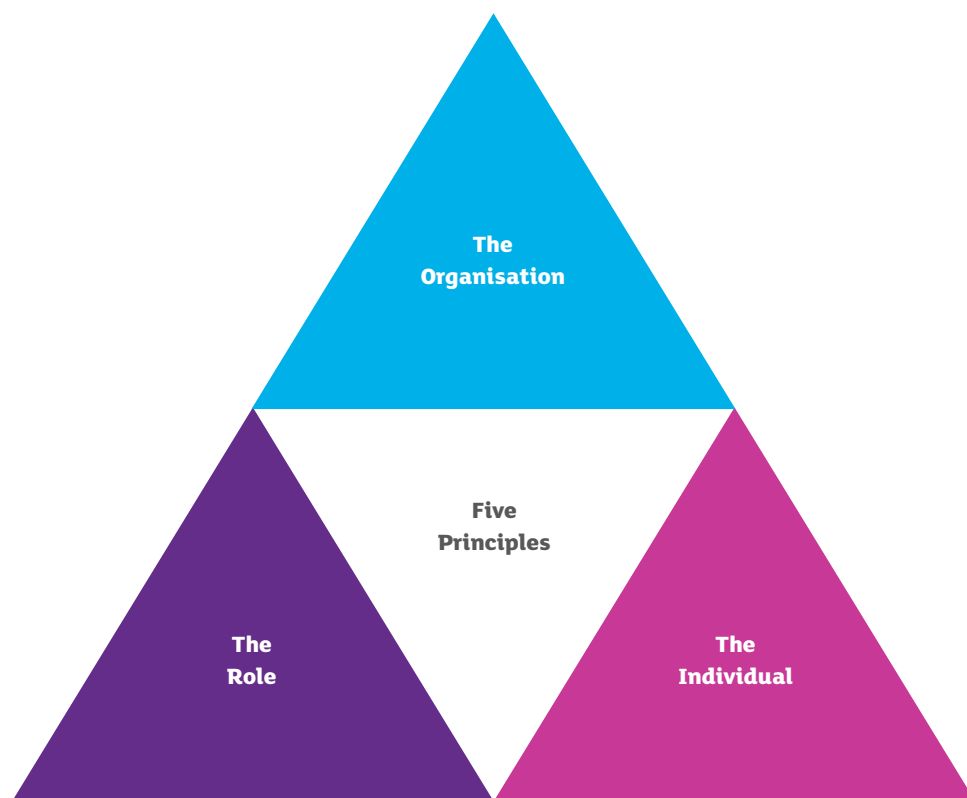
The Principles

The head of internal audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

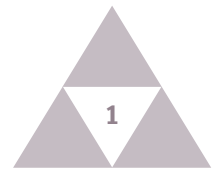
- 1 objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control
- 2 championing best practice in governance and commenting on responses to emerging risks and proposed developments.

To perform this role the head of internal audit must:

- 3 be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee
- 4 lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively
- 5 be professionally qualified and suitably experienced.



\ principle 1



The head of internal audit (HIA) plays a critical role in delivering the organisation's strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control.

The UK Public Sector Internal Audit Standards (PSIAS) set out the mission of internal audit which is to 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'. They also set out Core Principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness.

The following core principles are of particular relevance for Principle 1 of the CIPFA Statement:

- Provides risk based assurance.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.



Organisational responsibilities

To enable the HIA to fulfil their role the leadership team should ensure they:

- set out the responsibilities of the leadership team for internal audit
- establish an internal accountability and assurance framework including how internal audit works with other providers of assurance
- set out how the framework of assurance supports the annual governance statement and identify internal audit's role within it. The HIA should not be responsible for the statement
- set out the responsibilities of the HIA and ensure the independence of the role is preserved. If additional responsibilities are taken on then appropriate safeguards should be put in place
- ensure internal audit is independent of external audit
- establish clear lines of reporting of the HIA to the leadership team and to the audit committee
- ensure the HIA reports in their own right and that the annual internal audit opinion and report are issued in the name of the HIA
- ensure the internal audit charter and plan are approved by the audit committee in accordance with the PSIAS.



Core HIA responsibilities

To fulfil Principle 1 the HIA should:

- ensure that internal audit's work is risk-based and aligned to the organisation's strategic objectives and will support the annual internal audit opinion
- identify where internal audit assurance will add the most value or do most to facilitate improvement
- produce an evidence-based annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Commentary

Independence and objectivity

The leadership team is responsible for the organisation achieving its objectives and for the underlying governance arrangements and effective frameworks of risk management and internal control. The HIA's unique role is to evaluate these arrangements and provide independent assurance on their effectiveness. So it is important that the HIA is independent of operational management and is seen to provide objective views and opinions. Where the HIA has responsibilities beyond internal audit the risks to independence must be recognised and adequate safeguards need to be approved by the audit committee and put in place to protect independence and objectivity.

Broad scope of assurance

The leadership team needs regular assurance that the organisation has good governance arrangements and is effectively managing its risks. The assurance framework that provides this will have a number of sources including a clearly defined management accountability framework, performance management and risk management, together with internal compliance functions such as legal, HR and health and safety. Assurance is also available from external inspectors and agencies and external auditors. Some organisations use the 'three lines of defence' model to explain these relationships. Setting out this framework of assurance should also help in explaining to others how internal audit fits into the wider governance picture.

The annual HIA opinion is on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control in accordance with PSIAS. It is the most important output from the HIA and is one of the main sources of objective assurance that chief executives and the leadership team have for their annual governance statement. The HIA opinion is unique within the wider assurance framework in that it is independent and objective and in accordance with professional standards. This opinion must reflect the work done during the year and it must summarise the main findings and conclusions together with any specific concerns the HIA has. To build a robust opinion on the adequacy of the governance, risk and control framework the HIA will need to review and if appropriate place reliance on the work of others.

Evidence-based assurance

The HIA's opinion must be well founded if it is to give proper assurance to the organisation and improve governance and control arrangements. This means internal audit planning must be well focused and in accordance with professional standards.

The HIA may look to the work of other functions, partner organisations and other agencies as evidence for their assurance. Here the HIA must understand the basis for their assurances and its adequacy and whether the HIA needs to carry out any additional review work. A summary of assurances given and relied upon should be included in the HIA's annual report.

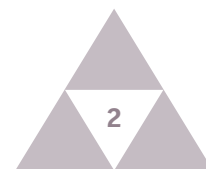
One of the HIA's key relationships must be with the external auditor. The role of the external auditor is to provide an opinion on the financial statements of the organisation together with wider reporting on value for money or best value. The external auditor will share internal audit's interest in the governance risk and control environment and both auditors should share their plans and findings on a regular basis.

Develop and implement a risk-based audit approach

Risk management is key to the effective delivery of public services. Organisations are becoming more mature in how they identify, evaluate and manage risks and opportunities. The HIA should encourage the organisation to improve its approach to risk management and the HIA opinion on the adequacy and effectiveness of risk management will provide assurance on an annual basis.

The audit plan must identify the priorities for internal audit based on an assessment of the key risks to organisational objectives and the extent of alternative sources of assurance, as well as the resources and skills needed to deliver it. Responsibility for effective governance, risk management and control arrangements remains with the organisation; the HIA cannot be expected to prevent or detect all weaknesses or failures in internal control nor can the internal audit plan cover all areas of risk across the organisation.

\ principle 2



The head of internal audit (HIA) in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance and commenting on responses to emerging risks and proposed developments.

The UK Public Sector Internal Audit Standards set out Core Principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness. The following core principles are of particular relevance for Principle 2 of the CIPFA Statement:

- Aligns with the strategies, objectives, and risks of the organisation.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.



Organisational responsibilities

To enable the HIA to fulfil their role the leadership team should ensure that they:

- establish top level commitment to the principles of good governance, recognising its importance for achieving strategic objectives
- set out the HIA's role in good governance and how this fits with the role of others
- recognise and support the role internal audit can play in providing advice and consultancy internally
- ensure that the HIA has the opportunity to advise on or provide assurance on all major projects, programmes and policy initiatives
- take account of the HIA's advice in new and developing systems.



Core HIA responsibilities

To fulfil Principle 2 the HIA should:

- work with others in the organisation to promote and support good governance
- help the organisation understand the risks to good governance
- give advice to the leadership team and others on the control arrangements and risks relating to proposed policies, programmes and projects
- promote the highest standards of ethics and standards across the organisation based on the principles of integrity, objectivity, competence and confidentiality
- demonstrate the benefits of good governance for effective public service delivery and how the HIA can help
- offer advisory or consulting services where appropriate
- give advice on risk and internal control arrangements for new and developing systems, including major projects, programmes and policy initiatives whilst maintaining safeguards over independence.

Commentary

Promoting good governance

Good governance is fundamental to establishing confidence in public services. All managers have a responsibility for exercising good governance but the HIA can promote the principles of good governance across the organisation through their assurance and advisory work, encouraging good practice. This is consistent with the Core Principles for the Professional Practice of Internal Auditing. The internal audit charter sets out the scope of internal audit activities and provides the opportunity to outline how the HIA will fulfil this role.

Good governance is core to achieving strategic aims and demonstrating that public money is used well. The HIA can support the leadership team in establishing, maintaining and improving governance by promoting the benefits of good governance, interpreting and advising on the application of governance principles as well as reporting on governance risks. There are also benefits for the HIA in taking such an approach as this helps staff and the audit committee see the wider purpose of internal audit's work and the support they can provide. While the HIA is not responsible for the organisation's public report on governance, the HIA can

provide support to ensure the assessment is robust and the statement itself is effective.

The HIA should understand the range of risks to good governance the organisation faces, such as entering into new collaborative arrangements, managing resource pressures or taking on new statutory responsibilities. The HIA should then assess how best to support good governance and organisational improvement.

Advising on proposed developments

The HIA will seek to ensure the work of internal audit is aligned to the organisation's strategic goals and governance responsibilities. To facilitate this HIAs must be asked to consider the impact of proposed policy initiatives, programmes and projects as well as responses to emerging risks. HIAs should be made aware of major new systems and proposed initiatives such as new collaborative or commercial arrangements to help ensure risks are properly identified and evaluated and appropriate controls built in. Managers and the HIA must therefore be clear on the scope of any internal audit work here and of the kind of advice that is given to ensure the independence of other audit work and the HIA annual opinion is not compromised.

\ principle 3



The HIA must be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee.

The UK Public Sector Internal Audit Standards set out core principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness. The following core principles are of particular relevance for Principle 3 of the CIPFA Statement:

- Is objective and free from undue influence (independent).
- Is appropriately positioned and adequately resourced.



Organisational responsibilities

To enable the HIA to fulfil their role the leadership team should:

- designate a named individual as HIA in line with the principles in this Statement. The individual could be someone from another organisation where internal audit is contracted out or shared. Where this is the case then the roles of the HIA and the client manager must be clearly set out in the contract or agreement
- ensure that where the HIA is an employee they report functionally to a member of the leadership team. The HIA should be sufficiently senior and independent within the organisation's structure to allow them to carry out their role effectively and be able to provide credibly constructive challenge to management
- engage constructively with the HIA and facilitate their role throughout the organisation
- ensure the audit committee terms of reference² includes oversight of internal audit including the monitoring of adherence to professional standards
- ensure the HIA's reporting relationship with the audit committee and its chair as set out in the internal audit charter is applied
- ensure the organisation's governance arrangements give the HIA:
 - direct access to the chief executive, other leadership team members, the audit committee and external audit; and
 - attendance at meetings of the leadership team and management team when the HIA considers this to be appropriate
- set out unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in arms-length bodies
- set out the HIA's responsibilities relating to organisational partners including collaborations and outsourced and shared services.

² In Local Government and Police CIPFA's Position Statement and supporting guidance include examples of audit committee terms of reference, including the committee's responsibilities for internal audit. *Audit Committee Practical Guidance for Local Government and Police*, CIPFA, 2018



Core HIA responsibilities

To fulfil Principle 3 the HIA should:

- ensure the internal audit charter clearly establishes appropriate reporting lines that facilitate engagement with the leadership team and audit committee
- escalate any concerns about maintaining independence through the line manager, chief executive, audit committee and leadership team or external auditor as appropriate
- contribute to the review of audit committee effectiveness, advising the chair and relevant managers of any suggested improvements
- consult stakeholders, including senior managers and non-executive directors/elected representatives on internal audit plans.

Commentary

Senior manager

Heads of internal audit face increasing challenges and higher expectations from stakeholders, especially in helping organisations look forward. Regardless of how the internal audit is provided the HIA must be able to operate at the heart of the organisation, challenging and supporting the leadership team with authority and credibility. They should also be seen as a leader, promoting improvement and good governance. To do this effectively, make an impact and add value, the HIA position must be at a senior management level.

The HIA must also have unfettered access to key people across the organisation, especially to the chief executive, leadership team and audit committee chair.

The HIA role must be filled by a named individual so that all are clear about lines of responsibility. Where the service is provided in-house this should be straightforward. Where the service is contracted out or shared with others then the organisation must decide whether the HIA should come from within the organisation or from the supplier of the audit service. In the latter case the relationship between the HIA and the organisation, including the audit committee, must be clearly set out and arrangements made to ensure there is adequate access and visibility of the HIA to the leadership team. In practice it is likely that the HIA will be the person who is responsible for drawing up the internal audit charter

and plan, issuing the HIA annual internal audit opinion and engaging with the audit committee.

Engagement with the leadership team

The leadership team in public service organisations takes many forms, with different mixes of executive and non-executive members, as well as elected representatives. Collectively the leadership team is responsible for setting the strategic direction for the organisation, its implementation and the delivery of public services. The HIA must also have a right of access to individual members of the leadership team and should expect the support of the team consistent with reporting relationships set out in PSIAS.

Wherever the HIA is in the organisational structure the HIA will need to ensure and demonstrate adequate independence and objectivity. A senior position supports this, alongside appropriate safeguards if they have other management responsibilities.

Engagement with the audit committee

The HIA's relationship with the audit committee, and especially the chair, is crucial. They should be mutually supportive in their aim to be objective and to provide challenge and support across the organisation and improve governance, risk management and internal control. The HIA must work closely with the audit committee chair so that they are clear about their respective roles and make best use of internal audit.

\ principle 4



The HIA must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively.

The UK Public Sector Internal Audit Standards set out Core Principles for the Professional Practice of Internal Auditing which taken as whole articulate internal audit effectiveness. The following core principles are of particular relevance for Principle 4 of the CIPFA Statement:

- Demonstrates integrity.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.



Organisational responsibilities

To enable the HIA to fulfil their role the leadership team should:

- provide the HIA with the status, resources, expertise and systems necessary to perform their role effectively
- ensure the audit committee contributes to a performance framework for the HIA and the internal audit service and takes action as appropriate
- ensure an external review of internal audit quality is carried out at least once every five years in accordance with PSIAS
- ensure the audit committee provides support for and participates in the quality assurance and improvement programme as set out in PSIAS.



Core HIA responsibilities

To fulfil Principle 4 the HIA should:

- lead and direct the internal audit service so that it meets the needs of the organisation and external stakeholders and fulfils professional standards
- demonstrate how internal audit adds value to the organisation
- determine the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives
- inform the leadership team and audit committee as soon as they become aware of insufficient resources to carry out a satisfactory level of internal audit, and the consequence for the level of assurance that may be given
- ensure the professional and personal training needs for staff are assessed and that these needs are met
- establish a quality assurance and improvement programme that includes:
 - ensuring professional internal audit standards are complied with
 - reviewing the performance of internal audit and ensuring the service provided is in line with the expectations and needs of its stakeholders
 - providing an efficient and effective internal audit service – demonstrating this by agreeing key performance indicators and targets with the line manager and audit committee; annually reporting achievements against targets
 - putting in place adequate ongoing monitoring and periodic review of internal audit work and supervision and review of files, to ensure that audit plans, work and reports are evidence-based and of good quality
 - seeking continuous improvement in the internal audit service
- keep up to date with developments in governance, risk management, control and internal auditing, including networking with other HIAs and learning from them, implementing improvements where appropriate.

Commentary

Meeting the needs of the business

Effective governance is critical in public service organisations and internal audit needs to play its part. The HIA must have a firm grasp and understanding of the organisation's business as well as its control environment. This will allow HIAs to give an opinion to the leadership team on how well these arrangements are working.

Whether internal audit is provided in-house, through a shared service or outsourced, the internal audit resources available must be proportionate to the size, complexity and risk profile of the organisation and must be enough for the HIA to give a reliable annual internal audit opinion on the organisation's framework of governance, risk management and control. Responsibility for ensuring that an effective and appropriately resourced internal audit service is in place rests with the organisation.

The HIA must set out the audit coverage and audit resources needed to give a sound, evidence-based annual audit opinion and must advise the audit committee and the leadership team where the available resources are inadequate and the consequences for the level of assurance that the HIA is able to give. Where concerns are raised by the HIA it is vital that they are listened to and the consequences understood.

Appropriately developed internal audit skills

A great deal of reliance is placed on the work of internal audit and the HIA must ensure all the work, including planning and individual assignments, is consistently of a high quality and in line with professional standards. The HIA must also ensure that all staff demonstrate the highest ethical standards. The HIA therefore has a responsibility to ensure that internal audit staff have appropriate qualifications, knowledge, skills and competencies and have access to development opportunities.

The HIA must provide clear guidance for internal audit staff with appropriate quality assurance for internal audit as a whole and for each audit assignment. The HIA has a duty to ensure their staff comply with the PSIAS and must have systems to verify this. More widely the HIA should ensure they and the team are up to date on current issues affecting their organisation and on internal audit techniques and developments.

\ principle 5



The HIA must be professionally qualified and suitably experienced.

The UK Public Sector Internal Audit Standards set out Core Principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness. The following core principles are of particular relevance for Principle 5 of the CIPFA Statement:

- Demonstrates competence and due professional care.
- Communicates effectively.



Organisational responsibilities

To enable the HIA to fulfil their role the leadership team should:

- appoint a professionally qualified HIA³ whose core responsibilities include those set out in the PSIAS as well as under the other principles in this statement and ensure that these are properly understood throughout the organisation
- ensure the HIA has the skills, knowledge and internal audit experience, together with sufficient resources to perform effectively in the role
- support continuing professional development of the HIA.



Core HIA responsibilities

To fulfil Principle 5 the HIA should:

- be a full member of an appropriate professional body and have an active programme for personal professional development
- adhere to professional internal audit and ethical standards (and where appropriate accounting and auditing standards).

³ PSIAS requires that the HIA must hold a professional qualification (CCAB, CMIIA or equivalent).

Commentary

Demonstrating professional and interpersonal skills

The HIA must be able to demonstrate their own professional credibility to exercise influence throughout the organisation. The HIA must be professionally qualified.

The HIA must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency, confidentiality, competence and reliability and promote these throughout the internal audit service.

The HIA must be able to operate effectively in different modes including directing, influencing, evaluating and informing. The HIA must be able to give objective opinions and advice even if this may be unwelcome and to intervene with authority where necessary. The HIA must be able to challenge the status quo and be a catalyst for change, achieving results through influence, without direct authority.

The HIA must be sensitive to the complexities and pressures facing organisations.

Applying business and professional experience

The HIA must have an understanding and commitment to the organisation's wider business and its delivery objectives, to inspire respect, confidence and trust amongst colleagues, with the leadership team, audit committee and other stakeholders.

The HIA must have a good understanding of business processes and governance including strategic planning and performance, financial and risk management.

The HIA should be seen as a catalyst to improving governance and internal control and also supporting the organisation in its wider business objectives. The HIA's leadership must set the tone that good governance, risk management, and internal control matter to everyone in the organisation.

personal skills and professional standards



This section sets out the personal skills and professional standards of the HIA that are necessary to support the five principles in practice.

Principle 1

- Give clear, professional and objective advice.
- Report on what is found, without fear or favour.
- Demonstrate integrity to staff and others in the organisation.
- Exercise sound judgement in identifying weaknesses in the organisation's control environment and a balanced view on how significant these are.
- Work well with others with specific responsibilities for internal control, risk management and governance including (as appropriate to the sector) the chief executive, chief legal officer, chief financial officer, audit committee, non-executive directors and elected representatives.
- Work positively and constructively, influencing the leadership team, audit committee and others to ensure the HIA's recommendations are implemented.
- Be a role model – dynamic, determined, positive and robust. They should demonstrate resilient leadership and the ability to inspire confidence and exemplify high standards of conduct.

Principle 2

- Provide leadership by giving practical examples of good governance that will inspire others.
- Deploy effective facilitating and negotiating skills.
- Build and demonstrate commitment to supporting continuous improvement of the organisation.

Principle 3

- Network effectively to raise the profile and status of internal audit.
- Adopt a flexible style, being able to collaborate, advise and challenge as appropriate.
- Build productive professional relationships both internally and externally.
- Work effectively with the leadership team and audit committee, showing political awareness and sensitivity.
- Be seen to be objective and independent but also pragmatic where appropriate.

Principle 4

- Demonstrate leadership and be an ambassador for internal audit.
- Create, communicate and implement a vision for the internal audit service.
- Create a customer-focused internal audit service.
- Establish an open culture, built on effective coaching and a constructive approach.
- Promote effective communication within internal audit, across the broader organisation and with external stakeholders.
- Manage and coach staff effectively.
- Comply with professional standards and ethics.
- Require the highest standards of ethics and standards within internal audit based on the principles of integrity, objectivity, competence and confidentiality.

Principle 5

- Demonstrate a range of skills including communicating, managing and influencing, as well as an understanding of IT and consulting services.
- Understand and have experience of strategic objective setting and management.
- Understand the internal audit and regulatory environment applicable to public service organisations.
- Demonstrate a comprehensive understanding of governance, risk management and internal control.
- Undertake appropriate development or obtain relevant experience in order to demonstrate an understanding of the full range of the organisation's activities and processes.

definitions used throughout the document

The public services have a wide variety of organisational structures and governance arrangements. The definitions used in this document are primarily based on those used in CIPFA's Role of the Chief Financial Officer Statement and in the Public Sector Internal Audit Standards (PSIAS).

Annual governance report

The mechanism by which an organisation publicly reports on its governance arrangements each year.

Assurance

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation.

Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the organisation's policies, processes and controls and the second being managers' own checks of this first line.

Assurance framework

This is the primary tool used by a board to ensure that it is properly informed on the risks of not meeting its objectives or delivering appropriate outcomes and that it has adequate assurances on the design and operation of the systems in place to mitigate those risks.

Audit committee

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

Board

The group of people charged with setting the strategic direction for the organisation and responsible for its achievement.

Chief financial officer

The organisation's most senior executive role charged with leading and directing financial strategy and operations.

Control environment

The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Governance⁴

The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

Head of internal audit opinion

The opinion issued each year by the HIA on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The opinion is used by the chief executive in some public service organisations as a key source in drafting the annual governance report.

⁴ The International Framework: Good Governance in the Public Services (CIPFA/IFAC, 2014)

Internal audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Leadership team

Comprises the board and management team.

Managers

The staff responsible for the achievement of the organisation's purpose through services/ businesses and delivery to its clients/customers.

Management team

The group of executive staff comprising the senior management charged with the execution of strategy.

Public service organisation

One or more legal bodies managed as a coherent operational entity with the primary objective of providing goods or services that deliver social benefits for civic society, are not privately owned and receive public and/or charitable funding.

Risk management

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.



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North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

11 September 2019

Medium Term Financial Plan – Budget Monitoring Report

Quarter 1 – April – June 2019

Report of the Chief Accountant and S151 Officer

This report is public

Purpose of the Report

- The purpose of this report is to present to Members of the Audit and Corporate Governance Scrutiny Committee a summary of the Budget Monitoring for the first quarter of 2019/20 i.e. April to June 2019 which was presented to Cabinet at its meeting on 5 September 2019.

1 Report Details

- 1.1 To update Members of the Audit and Corporate Governance Scrutiny Committee concerning the current position in respect of quarter one April to June 2019 Budget Monitoring.
- 1.2 The report was taken to the Council's Cabinet on 5 September 2019 and is accordingly brought to the Audit and Corporate Governance Scrutiny Committee for its consideration.

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that the Audit and Corporate Governance Scrutiny Committee are kept informed of the latest position concerning Budget Monitoring.

3 Consultation and Equality Impact

- 3.1 These are detailed in the attached report as **Appendix 1**.

4 Alternative Options and Reasons for Rejection

- 4.1 These are detailed in the attached report.

5 Implications

5.1 Finance and Risk Implications

These are detailed in the attached report.

5.2 Legal Implications including Data Protection

These are detailed in the attached report.

5.3 Human Resources Implications

These are detailed in the attached report.

6 Recommendations

- 6.1 That the Audit and Corporate Governance Scrutiny Committee note the report concerning the Council's Budget Monitoring for Quarter 1 2019/20 and make any comments that they believe to be appropriate concerning these matters.

7 Decision Information

| | |
|--|----------------|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| Has relevant Portfolio Member been informed? | Yes |
| District Wards Affected | None directly. |
| Links to Corporate Plan priorities or Policy Framework | All |

8 Document Information

| Appendix No | Title |
|--|--|
| 1 | Cabinet Report 5 September 2019 Budget Monitoring – Quarter 1 2019/20 |
| Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers) | |
| Report Author | Contact Number |
| Jayne Dethick – Chief Accountant and Section 151 Officer | 01246 217658 |

North East Derbyshire District Council

Cabinet

5 September 2019

| |
|---|
| Medium Term Financial Plan – Budget Monitoring Quarter 1 |
|---|

Report of Councillor P Parkin, Portfolio Holder for Finance

This report is public

Purpose of the Report

To update Cabinet on the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account and the Capital Programme.

1 Report Details

- 1.1 The following sections of this report will consider the position as at 30 June 2019 in respect of the General Fund, Housing Revenue Account (HRA) and Capital Programme.

General Fund

- 1.2 The position in respect of the General Fund as at 30 June 2019 is summarised in **Appendix 1** attached to this report. The appendix shows the Original Budget that was set in February 2019, together with the Current Budget compared to the 30 June position. The main variances against the current budget are shown in Table 1 below with variances at service level shown in **Appendix 2**.

Table 1

| | £000 |
|--|--------------|
| Vacancy management | (66) |
| Less those removed from current budget – Q1 | 40 |
| Vehicle related costs | (18) |
| Efficiencies from supplies and services | (99) |
| Additional income from rents/services | (51) |
| Net cost of services | (194) |
| Investment property income | (38) |
| Income from interest | (2) |
| Variance (underspend) at 30 June 2019 | (234) |

- 1.3 Savings from vacancies have been taken where there is no immediate need by the service to utilise. Income is higher than forecast at quarter 1, to include leisure and planning fees. Leisure income trends will be analysed as part of quarter 2 monitoring and the annual budget review. In line with statute 20% of planning fees

have to be ring fenced to utilise on planning activity so £0.026m has been moved to earmarked reserves. There are a number of minor variances across supplies and services but nothing of note to report at this time.

Financial Reserves

1.4 Transfers from Earmarked Reserves

The use of earmarked reserves in 2019/20 to date is £0.351m comprising:

- £0.265m from revenue grants
- £0.085m from earmarked reserves

1.5 Transfers to Earmarked Reserves

There have been transfers to earmarked reserves during 2019/20 totalling £0.237m. This comprises:

- £0.211m in revenue grants received.
- £0.026m into earmarked reserves.

1.6 The Invest to Save Reserve currently has a balance £4.204m. Commitments already made against this reserve for 2019/20 and future years amount to £1.321m leaving £2.883m currently uncommitted.

1.7 There are ongoing commitments against the earmarked reserves which will continue in 2019/20 and future years. Should any of the reserves prove unnecessary in the light of subsequent events then they will be moved back into unallocated General Fund resources.

General Fund Medium Term Financial Plan

1.8 The Medium Term Financial Plan (MTFP) of February 2019 identifies budget shortfalls throughout the life of the plan. Table 2 below shows the adjusted position after quarter one.

1.9 A line by line budget review will be performed during 2019/20. The intention is to identify ongoing expenditure budget savings or additional income levels from 2018/19 and prior years that are anticipated to be available in 2019/20 and future years to ease the current budget shortfalls in the current MTFP.

1.10 As identified in Table 2 below, £0.040m has so far been identified towards the original 2019/20 savings target of £0.770m. This has been identified from vacancies on the establishment and these have been removed from the current budget. The savings are not reflected in future years as they only become ongoing at the point a post is disestablished. Further savings against the current budget are expected during quarter 2 as efficiencies identified as part of the Transformation Programme and other initiatives start to be realised.

1.11 It should also be noted from Table 2 below that at the time of setting the MTFP in February 2019, the Council's financial position was forecast to worsen considerably

from April 2020 when the next national financial settlement is due to commence. This is because of a number of factors:

- **New Homes Bonus.** This has not been confirmed beyond 2019/20 and there is a real risk that the scheme will either be ended in 2020, or its value eroded over the next spending review period. This loss of funding creates a significant budget pressure in the medium term financial plan.
- **A reset of the business rates baseline.** A full reset, removing all growth accumulated to date is expected in 2020 which will have a negative impact on the income generated from business rates. In order to mitigate the impact this has on the General Fund, NNDR reserves are being utilised.
- **The Fair Funding Review.** The national review of local authority spending needs is also expected to have a negative impact on district councils. Full details have not yet been released so the impact on the Council is currently unknown.

1.12 It has now been confirmed that there will be a one year spending review covering 2020/21 with a multi-year review the following year. A formal announcement about the timing of the spending review is still awaited and the details will be contained within, however it is widely expected that a one year rollover of the current financial settlement will take place in 2020/21. This potentially moves the impact of the above factors into 2021/22 but until this is confirmed it is prudent to anticipate the known impact of the spending review in the MTFP.

Table 2

| | 2019/20 Budget £000 | 2020/21 Budget £000 | 2021/22 Budget £000 | 2022/23 Budget £000 |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Budget Shortfall - MTFP Feb 2019 | 871 | 1,769 | 2,399 | 2,783 |
| Efficiencies identified to date (removed from budget) | (141) | (101) | (101) | (101) |
| Current Budget Shortfall | 730 | 1,668 | 2,298 | 2,682 |
| Efficiencies Identified <u>not yet realised</u> | (323) | (323) | (323) | (323) |
| Target Budget Shortfall | 407 | 1,345 | 1,975 | 2,359 |

Housing Revenue Account (HRA)

- 1.13 The position in respect of the Housing Revenue Account (HRA) as at 30 June 2019 is summarised in **Appendix 1** attached to this report
- 1.14 The HRA quarter 1 position shows a number of relatively minor variances. Income is £0.177m below budget, the result of higher than expected voids but this is likely to revert back to budget as the year progresses. The overall expenditure position is £0.033m below the current budget due to minor variances in repairs and maintenance and supervision and management.

Capital Investment Programme

- 1.15 Details of the capital expenditure incurred up to 30 June 2019 on a scheme by scheme basis is provided in **Appendix 4**.

HRA Schemes

The housing investment programme is £0.540m over forecast at the end of quarter 1 but no areas of concern have been identified. This is down to work profiling within the programme and spend is expected to remain in line with the annual forecast.

General Fund

The General Fund element of the Capital Programme is relatively limited and at the end of quarter 1 there are no variances to report.

Capital Resources

- 1.18 The Council has sufficient capital resources in place to finance the actual expenditure and commitments of the capital programme at the end of the first quarter. As in previous years, officers will continue to work to generate capital receipts in order to assist in secure the funding for the capital programme in future financial years.

Treasury Management

- 1.19 The treasury management function covers the borrowing and investment of Council funds. All transactions are conducted in accordance with the Council's approved strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.
- 1.20 The Council approved the 2019/20 Treasury Management Strategy at its meeting in February 2019 and work is currently being undertaken to review the Council's investment options within this strategy. **Appendix 5** identifies the Treasury Management activity undertaken during the first quarter of 2019/20.

2 Conclusions and Reasons for Recommendations

- 2.1 The report summarises the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, Capital Programme and Treasury management activity.

3 Consultation and Equality Impact

- 3.1 There are no consultation and equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 This report is concerned with monitoring the position against the Council's previously approved budget. Accordingly the report does not set out any options where a decision is required by Members.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 Financial issues and implications are covered in the relevant sections throughout this report.
- 5.1.2 The Council has a risk management strategy and associated framework in place and the Strategic Risk Register is regularly reviewed through the Council's performance management framework. Strategic risks along with the mitigation in place to ensure such risks are manageable are reported to the Audit and Corporate Governance Scrutiny Committee at each meeting. The risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register and is therefore closely monitored through these practices and reporting processes.

5.2 Legal Implications including Data Protection

- 5.2.1 There are no legal issues arising directly from this report.

5.3 Human Resources Implications

- 5.3.1 There are no human resource implications arising directly from this report.

6 Recommendations

- 6.1 That Cabinet notes the monitoring position of the General Fund at the end of the first quarter as detailed in Appendices 1 and 2.
- 6.2 That Cabinet notes the monitoring position of the Housing Revenue Account (HRA), the Capital Programme and Treasury Management activity at the end of the first quarter as detailed in Appendices 3-5.

7 Decision Information

| | |
|--|-----|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000 <input type="checkbox"/></i> <i>Capital - £150,000 <input type="checkbox"/></i> <i>NEDDC: Revenue - £100,000 <input type="checkbox"/></i> <i>Capital - £250,000 <input type="checkbox"/></i> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| Has the relevant Portfolio Holder been informed | Yes |
| District Wards Affected | All |
| Links to Corporate Plan priorities or Policy Framework | All |

8 Document Information

| Appendix No | Title |
|----------------------------------|--|
| 1 | General Fund Summary |
| 2 | General Fund Detail |
| 3 | Housing Revenue Account |
| 4 | Capital Programme |
| 5 | Treasury Management Activity |
| Background Papers | |
| | |
| Report Author | Contact Number |
| Jayne Dethick - Chief Accountant | 01246 217078 |

GENERAL FUND SUMMARY 2019/20 Quarter 1

APPENDIX 1

| | 1 Original Budget 2019/20 £ | 2 Current Budget 2019/20 £ | 3 Profiled Qtr 1 Budget £ | 4 Actuals with Accruals £ | 5 Variance £ |
|---|---|--|---------------------------------------|---------------------------------------|--------------------|
| Place | 2,676,408 | 2,647,968 | 1,077,364 | 966,164 | (111,200) |
| People | 9,416,884 | 9,441,484 | 2,430,418 | 2,347,198 | (83,220) |
| Bad Debt Provisions | 40,000 | 40,000 | 10,000 | 10,000 | 0 |
| Recharges to Capital and HRA | (527,500) | (527,500) | (131,875) | (131,875) | 0 |
| Savings Target | (770,023) | (770,023) | (40,000) | (40,000) | 0 |
| Net Cost of Services | 10,835,769 | 10,831,929 | 3,345,907 | 3,151,487 | (194,420) |
| Investment Properties | (429,780) | (429,780) | (72,441) | (110,712) | (38,271) |
| Interest | (6,920) | (6,920) | (1,731) | (3,593) | (1,862) |
| Debt Repayment Minimum Revenue Provision | 256,000 | 256,000 | 64,000 | 64,000 | 0 |
| Parish Precepts | 3,139,643 | 3,139,643 | 1,605,026 | 1,605,026 | 0 |
| Parish Council Tax Support Grant | 70,382 | 70,382 | 70,382 | 70,382 | 0 |
| Transfer To Earmarked Reserves | 78,555 | 237,463 | 237,463 | 237,463 | 0 |
| Transfer From Earmarked Reserves | (195,814) | (350,882) | (350,882) | (350,882) | 0 |
| Total Spending Requirement | 13,747,835 | 13,747,835 | 4,897,724 | 4,663,171 | (234,553) |
| Business Rates | (3,650,000) | (3,650,000) | (913,230) | (913,230) | 0 |
| Revenue Support Grant | 0 | 0 | 0 | 0 | 0 |
| New Homes Bonus | (926,218) | (926,218) | (231,740) | (231,740) | 0 |
| Collection Fund (Surplus)/Deficit - Council Tax | (160,812) | (160,812) | (40,233) | (40,233) | 0 |
| NEDDC Council Tax Requirement | (9,010,805) | (9,010,805) | (2,254,477) | (2,254,477) | 0 |
| Parish Council Council Tax Requirement | | | 0 | 0 | 0 |
| Council Tax Requirement | (13,747,835) | (13,747,835) | (3,439,680) | (3,439,680) | 0 |

GENERAL FUND DETAIL - QUARTER 1 2019/20

| | | Original Budget 2019/20 £ | Current Budget 2019/20 £ | Profiled Qtr 1 Budget £ | Actuals with Accruals 2019/20 £ | Variance 2019/20 £ |
|---|---|------------------------------------|-----------------------------------|----------------------------------|--|--------------------------|
| Place Directorate | | | | | | |
| Joint Strategic Director Place | | | | | | |
| 1141 | Joint Chief Executive - Place | 39,390 | 39,390 | 9,855 | 9,855 | 0 |
| 5700 | Joint Strategic Director - Place | 53,346 | 53,346 | 13,345 | 13,345 | 0 |
| 5706 | HS2 | 0 | 0 | 0 | 0 | 0 |
| Joint Head of Service Housing and Community Safety | | | | | | |
| 1218 | Community Safety | 38,243 | 38,243 | (3,313) | (3,660) | (347) |
| 1220 | Joint Head of Service - Housing & Comm Safety | 3,594 | 3,594 | 899 | 0 | (899) |
| 1283 | Emergency Planning | 16,000 | 16,000 | (13,482) | (17,484) | (4,002) |
| 3400 | Environmental Protection | 79,009 | 79,009 | 21,285 | 21,285 | (0) |
| 3401 | Food, Health & Safety | 115,557 | 115,557 | 28,933 | 20,463 | (8,470) |
| 3402 | Environmental Enforcement | 92,713 | 92,713 | 23,214 | 29,336 | 6,122 |
| 3403 | Community Outreach | 0 | 0 | 15 | (6,639) | (6,654) |
| 3404 | Licensing | (19,200) | (19,200) | 2,715 | (392) | (3,107) |
| 3405 | Pollution | 86,908 | 86,908 | 21,763 | 20,259 | (1,504) |
| 3407 | Pest Control | 22,393 | 22,393 | 5,615 | 13,491 | 7,876 |
| 3408 | Home Improvement | 35,603 | 35,603 | 8,912 | 4,378 | (4,534) |
| 3409 | EH Technical Support & Management | 187,095 | 183,095 | 45,862 | 43,020 | (2,842) |
| 3410 | Private Sector Housing | 55,468 | 55,468 | 13,886 | 13,554 | (332) |
| 3419 | Destitute Funerals | 3,600 | 3,600 | 898 | (93) | (991) |
| 3420 | Fly Tipping | 3,000 | 3,000 | 750 | 113 | (638) |
| 3421 | VARM (NE) Discretionary Fund | 9,000 | 9,000 | 0 | 0 | 0 |
| 3422 | Building Resilience Programme (Shirebrook) | 0 | 0 | (36,588) | (36,588) | 0 |
| 3423 | Air Quality Feasibility Study | 0 | 0 | 1,745 | 1,745 | 0 |
| 3424 | HMO IT Project | 0 | 0 | 415 | 415 | 0 |
| 3726 | Works In Default | 0 | 0 | 2,152 | 2,152 | (0) |
| 3755 | PRS Access Fund | 0 | 0 | 128,468 | 128,468 | 0 |
| Joint Head of Service Property and Commercial Services | | | | | | |
| 3135 | Drainage | 16,329 | 16,329 | 4,097 | (695) | (4,792) |
| 3172 | Engineers | 92,692 | 92,692 | 23,201 | 19,103 | (4,098) |
| 3241 | Car Parks | 40,555 | 40,555 | 31,887 | 29,493 | (2,394) |
| 3247 | Street Names/Lights | 11,000 | 11,000 | 2,754 | (132) | (2,886) |
| 3249 | Footpath Orders | (200) | (200) | (45) | 2,404 | 2,449 |
| 3265 | Dams And Fishing Ponds | 1,800 | 1,800 | 456 | 200 | (256) |
| 3281 | Clay Cross Depot | (1,405) | (1,405) | 5,113 | 4,720 | (393) |
| 3283 | Northwood | 0 | 0 | 8,575 | 8,575 | 0 |
| 3811 | Closed Circuit Television | 420 | 420 | 105 | (220) | (325) |
| 4412 | Midway Business Centre | (54,970) | (54,970) | (12,866) | (17,413) | (4,547) |
| 4425 | Coney Green Business Centre | (41,329) | (41,329) | 24,948 | 21,117 | (3,831) |
| 4523 | Estates Administration | 276,662 | 276,662 | 69,122 | 66,952 | (2,170) |
| 5204 | Jnt HoS Property & Commercial Services | 37,711 | 37,711 | 9,428 | 9,428 | 0 |
| 5205 | Mill Lane | 232,929 | 232,929 | 122,128 | 115,950 | (6,178) |
| 5206 | Mill Lane Land | 0 | 0 | 0 | 0 | 0 |
| 5209 | Facilities Management | 125,460 | 131,460 | 42,895 | 43,904 | 1,009 |
| 5210 | Pioneer House | (31,311) | (31,311) | 6,986 | 2,276 | (4,710) |
| Joint Head of Service Planning | | | | | | |
| 4111 | Applications And Advice | (372,400) | (372,400) | (93,177) | (123,688) | (30,511) |
| 4113 | Planning Appeals | 0 | 0 | 305,984 | 305,984 | (0) |
| 4116 | Planning Policy | 267,997 | 267,997 | 67,054 | 64,628 | (2,426) |
| 4119 | Neighbourhood Planning Grant | 0 | 0 | 11,396 | 11,396 | 0 |
| 4311 | Environmental Conservation | 19,800 | 19,800 | 0 | 0 | 0 |
| 4511 | Jnt Hos Planning | 37,088 | 37,088 | 9,279 | 9,337 | 58 |
| 4513 | Planning | 546,730 | 546,730 | 152,064 | 144,928 | (7,136) |
| 4515 | Building Control | 58,000 | 58,000 | 14,511 | 9,108 | (5,403) |
| Joint Head of Service Economic Development | | | | | | |
| 3165 | Housing Options Team | 211,911 | 211,911 | 49,019 | 36,896 | (12,123) |
| 3740 | Strategic Housing | 85,136 | 85,136 | 13,816 | 16,124 | 2,308 |
| 3747 | Homeless Temp Accommodation | 0 | 0 | 0 | (580) | (580) |
| 3748 | Homelessness Grant | (6,555) | (6,555) | (153,628) | (153,628) | 0 |
| 3749 | Empty Properties | 2,000 | 2,000 | 501 | 864 | 363 |
| 3750 | Housing Growth | (1,627) | (1,627) | 3,345 | 3,438 | 93 |
| 3751 | Care Call System | (15,000) | (15,000) | 0 | 0 | 0 |
| 4211 | Tourism Promotions | 18,500 | 18,500 | 12,501 | 8,000 | (4,501) |
| 4238 | Working Communities Strategy | 78,554 | 78,554 | 19,654 | 18,643 | (1,011) |
| 4240 | Project X | 0 | 0 | (19,389) | (16,282) | 3,107 |
| 4351 | Alliance | 3,350 | 3,350 | 840 | 0 | (840) |
| 4512 | Growth Agenda | 18,095 | 18,095 | 4,527 | 5,611 | 1,084 |
| 4516 | Clay Cross OPE | 0 | 0 | 13,698 | 13,698 | (0) |
| 4517 | Economic Development | 155,194 | 155,194 | 38,829 | 28,924 | (9,905) |

GENERAL FUND DETAIL - QUARTER 1 2019/20

| | | Original Budget 2019/20 £ | Current Budget 2019/20 £ | Profiled 1 Budget £ | Qtr Accruals 2019/20 £ | Variance 2019/20 £ |
|--|---------------------------------------|------------------------------------|-----------------------------------|---------------------------|---------------------------------|--------------------------|
| 4526 | Sheffield City Region | 4,000 | 4,000 | 1,002 | 3,966 | 2,964 |
| 5750 | Jnt HoS Economic Development | 37,573 | 37,573 | 9,410 | 16,109 | 6,699 |
| Total for Place Directorate | | 2,676,408 | 2,678,408 | 1,077,364 | 966,164 | -111,200 |
| People Directorate | | | | | | |
| Joint Strategic Director People | | | | | | |
| 1142 | Joint Chief Executive (People) | 81,166 | 81,166 | 20,310 | 23,015 | 2,705 |
| 4500 | Joint Strategic Director - People | 62,529 | 62,529 | 15,635 | 13,133 | (2,502) |
| 5720 | Supporting PA's | 82,855 | 82,855 | 20,732 | 20,636 | (96) |
| Joint Head of Service Partnerships and Transformation | | | | | | |
| 1331 | Strategic Partnerships | 156,147 | 156,147 | 33,069 | 33,060 | (9) |
| 1333 | Healthy North East Derbyshire | 27,754 | 27,754 | (125,482) | (125,482) | 0 |
| 1334 | NE Derbyshire Business Growth Fund | 0 | 0 | 3,879 | 3,879 | (0) |
| 1335 | Big Local | 0 | 0 | 14,558 | 14,558 | (0) |
| 4352 | LEADER | 0 | 0 | (127) | (127) | 0 |
| 4443 | Elderly Peoples Clubs | 4,000 | 4,000 | 0 | 0 | 0 |
| 4561 | Leisure Centre Management | 121,786 | 121,786 | 30,713 | 25,097 | (5,616) |
| 4600 | Jnt Hos Partnerships & Transformation | 33,932 | 33,932 | 8,483 | 8,483 | 0 |
| 4720 | Sportivate | 0 | 0 | (22,210) | (22,210) | (0) |
| 4722 | Physical Inactivity Fund | 0 | 0 | (30,761) | (30,671) | 90 |
| 4723 | Generation Games | 1,226 | 1,226 | (7,225) | (7,225) | (0) |
| 4724 | Walking into Communities | 0 | 11,000 | (25,205) | (25,205) | 0 |
| 4726 | Walking for Health | 0 | 0 | (24,684) | (24,684) | 0 |
| 4727 | Five 60 | 0 | 0 | (24,144) | (24,144) | (0) |
| 4731 | Promotion Of Recreation And Leisure | 29,684 | 29,684 | 7,436 | 7,261 | (175) |
| 4732 | Schools Promotion | 2,423 | 2,423 | 609 | (3,883) | (4,492) |
| 4736 | Derbyshire Sports Forum | 15,500 | 15,500 | 0 | 0 | 0 |
| 4742 | Arts Development | 2,800 | 2,800 | 702 | 2,524 | 1,822 |
| 5215 | Telephones | 32,100 | 32,100 | 8,031 | 7,932 | (99) |
| 5216 | Mobile Phones and Ipads | 16,665 | 16,665 | 4,165 | 3,737 | (428) |
| 5221 | Customer Services | 367,902 | 367,902 | 127,568 | 128,227 | 659 |
| 5223 | Franking Machine | 59,960 | 59,960 | 15,000 | 12,570 | (2,430) |
| 5701 | Joint ICT Service | 0 | 0 | (1,568) | (11,422) | (9,854) |
| 5734 | NEDDC ICT Service | 546,315 | 546,315 | 136,727 | 140,271 | 3,544 |
| 5737 | Corporate Printing Costs | 18,035 | 18,035 | 4,513 | 5,665 | 1,152 |
| 5785 | Contributions | 132,835 | 132,835 | 132,835 | 132,799 | (36) |
| 5825 | Concessionary Bus Passes | (9,940) | (9,940) | (2,484) | (398) | 2,086 |
| 8441 | Eckington Swimming Pool | 191,926 | 191,926 | 73,800 | 71,510 | (2,290) |
| 8445 | Eckington Pool Cafe | 2,422 | 2,422 | 606 | (4,871) | (5,477) |
| 8451 | Dronfield Sports Centre | (25,336) | (25,336) | 49,959 | 56,051 | 6,092 |
| 8461 | Sharley Park Sports Centre | 310,898 | 310,898 | 132,180 | 119,758 | (12,422) |
| 8465 | Sharley Park Sports Centre Outdoor | (2,150) | (2,150) | (540) | (1,313) | (773) |
| Joint Head of Service Corporate Governance | | | | | | |
| 1121 | Member's Services | 439,868 | 439,868 | 112,688 | 103,546 | (9,142) |
| 1123 | Chair's Expenses | 11,520 | 11,520 | 2,883 | 1,256 | (1,627) |
| 1131 | District Elections | 160,000 | 160,000 | 160,000 | 157,446 | (2,554) |
| 1133 | Parish Elections | 0 | 0 | 0 | 0 | 0 |
| 1137 | Parliamentary Elections | 0 | 0 | 0 | 0 | 0 |
| 1139 | County Council Elections | 0 | 0 | 0 | 0 | 0 |
| 1231 | Corporate Training | 45,980 | 49,980 | 12504 | 1,074 | (11,430) |
| 1255 | Strategy and Performance | 100,901 | 100,901 | 26470 | 22,770 | (3,700) |
| 1256 | Corporate Consultation | 14,265 | 14,265 | 3583 | 6,804 | 3,221 |
| 1259 | Corporate Groups | 10,000 | 10,000 | 2502 | (455) | (2,957) |
| 1311 | Human Resources | 188,672 | 188,672 | 49472 | 51,747 | 2,275 |
| 1312 | Payroll | 53,019 | 53,019 | 13265 | 14,651 | 1,386 |
| 1313 | Work Well Team | 2,200 | 2,200 | 552 | 163 | (389) |
| 1315 | Design & Print | 92,910 | 92,910 | 23109 | 21,404 | (1,705) |
| 1321 | Communications & Marketing | 81,241 | 81,241 | 20323 | 20,697 | 374 |
| 1323 | NEDDC News | 27,000 | 27,000 | 6753 | 8,128 | 1,375 |
| 1329 | Corporate Web Site | 520 | 520 | 132 | 460 | 328 |
| 3121 | Health & Safety Advisor | 40,778 | 40,778 | 10,198 | 10,198 | (0) |
| 5249 | Twinning Expenses | 7,100 | 7,100 | 1,779 | 0 | (1,779) |
| 5273 | Brass Band Concert | 2,700 | 2,700 | 675 | 0 | (675) |
| 5313 | Register Of Electors | 165,356 | 165,356 | 44,878 | 39,004 | (5,874) |
| 5321 | Jnt HoS Corporate Governance | 39,550 | 39,550 | 9,888 | 10,676 | 788 |
| 5353 | Legal Section | 158,467 | 158,467 | 45,041 | 45,256 | 215 |
| 5354 | Land Charges | (9,445) | (9,445) | (4,364) | (3,154) | 1,210 |
| 5392 | Scrutiny | 49,659 | 49,659 | 12,427 | 12,392 | (35) |
| 5711 | Democratic Services | 188,100 | 188,100 | 46,563 | 47,315 | 752 |

GENERAL FUND DETAIL - QUARTER 1 2019/20

| | | Original Budget 2019/20 £ | Current Budget 2019/20 £ | Profiled 1 Budget £ | Qtr Accruals 2019/20 £ | Variance 2019/20 £ |
|--|--|------------------------------------|-----------------------------------|---------------------------|---------------------------------|--------------------------|
| Joint Head of Service Finance and Resources | | | | | | |
| 3176 | Pool Car | 1,970 | 1,970 | 495 | 383 | (112) |
| 3512 | CBC Crematorium | (165,000) | (165,000) | (41,280) | (41,280) | 0 |
| 5113 | Unison Duties | 14,645 | 14,645 | 3,665 | 3,883 | 218 |
| 5611 | External Audit | 43,510 | 43,510 | 10,878 | 10,878 | 0 |
| 5615 | Bank Charges | 86,000 | 86,000 | 24,516 | 24,565 | 49 |
| 5621 | Contribution to/from HRA | (185,600) | (185,600) | (46,437) | (46,437) | 0 |
| 5705 | Jnt HoS Finance & Resources | 37,088 | 37,088 | 0 | 50 | 50 |
| 5713 | Audit | 110,840 | 110,840 | 27,710 | 30,868 | 3,158 |
| 5714 | Financial Support Services | 4,112 | 4,112 | 1,029 | 169 | (860) |
| 5715 | Procurement | 39,191 | 39,191 | 9,798 | 9,798 | 0 |
| 5721 | Financial Services | 291,696 | 291,696 | 105,187 | 106,042 | 855 |
| 5723 | Housing Act Advances | 2,300 | 2,300 | 576 | 2,408 | 1,832 |
| 5724 | Insurance | 276,508 | 276,508 | 0 | (4,004) | (4,004) |
| 5725 | Apprenticeship Levy | 45,000 | 45,000 | 11,256 | 9,778 | (1,478) |
| 5727 | Cost Of Ex-Employees | 971,015 | 971,015 | 136,616 | 136,616 | 0 |
| 5741 | Housing Benefit Service | 340,407 | 340,407 | 76,000 | 74,563 | (1,437) |
| 5747 | Debtors | 48,735 | 48,735 | 12,194 | 12,101 | (93) |
| 5751 | `NNDR Collection | (15,382) | (15,382) | 38,153 | 44,699 | 6,546 |
| 5759 | Council Tax Administration | 220,626 | 220,626 | 88,572 | 83,590 | (4,982) |
| 5781 | Village Hall Grants | 14,870 | 14,870 | 14,870 | 14,867 | (3) |
| Joint Head of Service Street Scene | | | | | | |
| 3174 | Street Scene | 286,295 | 286,295 | 71,661 | 73,124 | 1,463 |
| 3227 | Materials Recycling | 170,809 | 170,809 | 42,834 | 47,895 | 5,061 |
| 3231 | Recycling Promotional Work | 3,800 | 3,800 | 951 | 260 | (691) |
| 3244 | Parks Derbyshire County Council Agency | (360,000) | (360,000) | (90,072) | (90,072) | 0 |
| 3282 | Eckington Depot | 96,268 | 96,268 | 48,565 | 43,726 | (4,839) |
| 3285 | Dronfield Bulk Depot | 3,400 | 3,400 | 3,400 | 3,437 | 37 |
| 3511 | Hasland Cemetery | (53,555) | (53,555) | (9,334) | (5,379) | 3,955 |
| 3513 | Temple Normanton Cemetery | (7,530) | (7,530) | (1,103) | (2,140) | (1,037) |
| 3514 | Clay Cross Cemetery | (43,685) | (43,685) | (14,118) | (15,702) | (1,584) |
| 3516 | Killamarsh Cemetery | (18,285) | (18,285) | (3,989) | (2,437) | 1,552 |
| 3918 | Dog Fouling Bins | (46,800) | (46,800) | (11,706) | (13,000) | (1,294) |
| 3921 | Street Cleaning Service | 605,289 | 605,289 | 151,442 | 147,008 | (4,434) |
| 3943 | Transport | 431,493 | 431,493 | 108,597 | 106,452 | (2,145) |
| 3944 | Grounds Maintenance | 535,689 | 545,289 | 136,454 | 130,755 | (5,699) |
| 3945 | Domestic Waste Collection | 1,625,782 | 1,625,782 | 376,766 | 363,333 | (13,433) |
| 3946 | Commercial Waste Collection | (128,412) | (128,412) | (32,129) | (33,507) | (1,378) |
| Total for People Directorate | | 9,416,884 | 9,441,484 | 2,430,418 | 2,347,198 | -83,220 |
| Investment Properties | | | | | | |
| 4411 | Stonebroom Industrial Estate | (42,580) | (42,580) | (8,131) | (13,297) | (5,166) |
| 4413 | Clay Cross Industrial Estate | (78,685) | (78,685) | (18,547) | (24,233) | (5,686) |
| 4415 | Norwood Industrial Estate | (208,195) | (208,195) | (48,747) | (70,437) | (21,690) |
| 4417 | Eckington Business Park | (25,000) | (25,000) | (6,252) | (9,148) | (2,896) |
| 4418 | Rotherside Court Eckington Business Unit | (21,735) | (21,735) | 9,356 | 2,097 | (7,259) |
| 4423 | Pavillion Workshops Holmewood | (66,260) | (66,260) | (14,145) | (21,944) | (7,799) |
| 4432 | Miscellaneous Properties | 12,675 | 12,675 | 14,025 | 26,250 | 12,225 |
| Total for Investment Properties | | (429,780) | (429,780) | (72,441) | (110,712) | (38,271) |

| | Current Budget 2019/20 £ | Profiled Qtr 1 Budget £ | Actuals with Accruals £ | Variance £ |
|--|-----------------------------------|----------------------------------|-------------------------------|-----------------|
| INCOME | | | | |
| Dwelling Rents | (31,318,471) | (8,481,386) | (8,304,334) | 177,051 |
| Non-Dwelling Rents | (414,062) | (103,619) | (134,053) | (30,434) |
| Charges for Services and Facilities | (151,700) | (37,950) | (29,274) | 8,676 |
| Contributions Towards Expenditure | (50,000) | (12,500) | (12,500) | 0 |
| INCOME TOTAL | (31,934,233) | (8,635,455) | (8,480,161) | 155,294 |
| EXPENDITURE | | | | |
| Repairs & Maintenance | 5,202,329 | 1,301,615 | 1,294,097 | (7,518) |
| Supervision and Management | 6,858,396 | 1,715,967 | 1,690,084 | (25,883) |
| Rents, Rates & Taxes | 110,000 | 27,522 | 27,522 | 0 |
| Capital Charges - Depreciation | 7,929,774 | 1,984,027 | 1,984,027 | 0 |
| Provision for Bad Debts | 250,000 | 62,500 | 62,500 | 0 |
| Debt Management Expenses | 11,500 | 2,875 | 2,875 | 0 |
| EXPENDITURE TOTAL | 20,361,999 | 5,094,506 | 5,061,105 | (33,401) |
| NET COST OF SERVICES | (11,572,234) | (3,540,949) | (3,419,056) | 121,893 |
| Corporate & Democratic Core | 185,450 | 46,363 | 46,363 | 0 |
| NET COST OF HRA SERVICES | (11,386,784) | (3,494,586) | (3,372,693) | 121,893 |
| Interest Payable | 5,246,300 | 1,312,623 | 1,312,623 | 0 |
| Interest Receivable | (41,545) | (10,393) | (10,393) | 0 |
| Revenue Contribution to Capital | 1,832,029 | 458,221 | 458,221 | 0 |
| Contribution to Debt Repayment | 4,300,000 | 1,075,860 | 1,075,860 | 0 |
| Transfer to Insurance Reserve | 50,000 | 12,500 | 12,500 | 0 |
| (Surplus)/Deficit on HRA Services | 0 | (645,775) | (523,882) | 121,893 |

| Project/Scheme | Current Programme 2019/20 £000 | Profiled Budget Quarter 1 £000 | Actual and Commitments Quarter 1 £000 | Variance at Quarter 1 £000 |
|---|---|---|--|----------------------------------|
| Housing Investment | | | | |
| HRA Capital Works | 9,000 | 2,250 | 2,789 | 539 |
| EWI Schemes | 1,745 | 0 | 0 | 0 |
| Pine View Danesmoor | 877 | 1 | 1 | 0 |
| North Wingfield New Build | 197 | 114 | 114 | 0 |
| Stock Purchase Programme | 555 | 296 | 296 | 0 |
| Acquisitions and Disposals (RHL) | 500 | 0 | 0 | 0 |
| Car Park Resurfacing - Holmesfield | 40 | 40 | 41 | 1 |
| Car Park Resurfacing - Pilsley | 40 | 32 | 32 | 0 |
| Private Sector Spending | 708 | 270 | 270 | 0 |
| Total Housing Investment | 13,662 | 3,003 | 3,543 | 540 |
| Other Capital Projects | | | | |
| Asset Refurbishment - General | 534 | 92 | 92 | 0 |
| Eckington Swimming Pool Car Park | 43 | 43 | 43 | 0 |
| Roller Shutter Door Replacements | 64 | 0 | 0 | 0 |
| Leisure Centre Kit Replacement | 0 | 0 | 0 | 0 |
| Eckington Swimming Pool Roof | 270 | 0 | 0 | 0 |
| Lottery Funded Schemes | 11 | 0 | 0 | 0 |
| Replacement Vehicles | 1,806 | 96 | 96 | 0 |
| Contaminated Land | 42 | 0 | 0 | 0 |
| ICT Schemes | 180 | 101 | 101 | 0 |
| Total Other Capital Projects | 2,950 | 332 | 332 | 0 |
| Total Capital Expenditure | 16,612 | 3,335 | 3,875 | 540 |
| Housing Investment Funding | | | | |
| Major Repairs Allowance | (9,000) | (2,250) | (2,789) | (539) |
| HRA Capital Investment Reserve | (1,742) | (368) | (369) | (1) |
| Usable Capital Receipts | (743) | 0 | 0 | 0 |
| Prudential Borrowing | (1,469) | (115) | (115) | 0 |
| | (12,954) | (2,733) | (3,273) | (540) |
| Private Sector Spending | | | | |
| Disabled Facilities Grant | (688) | (265) | (265) | 0 |
| Usable Capital Receipts | (20) | (5) | (5) | 0 |
| Total Housing Investment Funding | (13,662) | (3,003) | (3,543) | (540) |
| Other Capital Projects Funding | | | | |
| External Grant | (53) | 0 | 0 | 0 |
| Prudential Borrowing | (2,076) | (96) | (96) | 0 |
| RCCO - GF | (100) | (9) | (9) | 0 |
| Useable Capital Receipts | (721) | (227) | (227) | 0 |
| Other Capital Project Funding | (2,950) | (332) | (332) | 0 |
| Total Capital Financing | (16,612) | (3,335) | (3,875) | (540) |

Treasury Management Activity April – June 2019/20**PWLB Borrowing**

The Council's total outstanding PWLB debt amounted to £150.846m at 1 April 2019. During the first quarter of 2019/20 £0.000m has been repaid to the PWLB so the balance at 30 June 2019 is £150.846m. During the current financial year no new loans have been taken out with the PWLB. The profile of the outstanding debt is analysed as follows: -

| PWLB Borrowing | Maturity Profile 31 March 2019 £'000 | Maturity Profile 30 June 2019 £'000 |
|------------------------|---|--|
| Term | | |
| 12 Months | 1,304 | 1,304 |
| 1 - 2 years | 304 | 304 |
| 2 - 5 years | 6,420 | 6,420 |
| 5 - 10 years | 25,402 | 25,402 |
| 10 - 15 years | 28,326 | 28,326 |
| Over 15 years | 89,090 | 89,090 |
| Total PWLB Debt | 150,846 | 150,846 |

PWLB Interest

The interest cost to the Council of the PWLB debt for 2019/20 is shown in the table below. The cost is split between the HRA and General Fund based on the level of debt outstanding within the CFR.

| Date | Amount Paid to PWLB £'000 |
|-----------------------------|--------------------------------------|
| Accrued Interest re 2018/19 | (46) |
| Accrued Interest re 2019/20 | 1,374 |
| Total Paid | 1,328 |

Temporary Borrowing

Cash flow monitoring and management serves to identify the need for short term borrowing to cover delays in the receipt of income during the course of the year. During the current year to date short term borrowing from the Council's own bank hasn't incurred any interest charges. At the 30 June 2019 the Council had no temporary borrowing.

Temporary Investments

The tables below detail the short term investments made during the first quarter of 2019/20: -

| Bank Name | Duration of Loan | B/Fwd 01/04/19 £000's | Amount Invested 2019/20 £000's | Amount Returned 2019/20 £000's | Balance Invested 31/3/20 £000's | Interest Received 30/6/19 £000's |
|---------------------------------|------------------|-----------------------|--------------------------------|--------------------------------|---------------------------------|----------------------------------|
| Santander | Call | 35 | 10,002 | (6,000) | 4,037 | (2) |
| Handelsbanken | Call | 5 | 2,000 | (0) | 2,005 | (0) |
| Federated Fund 3 | Call | 3,000 | 6 | (6) | 3,000 | (6) |
| Federated GBP 3 | Call | 2,000 | 5 | (5) | 2,000 | (5) |
| Aberdeen Standard | Call | 5,000 | 1,008 | (1,008) | 5,000 | (8) |
| CCLA Public Sector Deposit Fund | 1 Day Call | 5,000 | 10 | (10) | 5,000 | (10) |
| King & Shaxson | 1 Year | 1,000 | 0 | (0) | 1,000 | (0) |
| Eastleigh Borough Council | 3 Months | 1,000 | 1 | (1,001) | 0 | (1) |
| Lancashire County Council | 1 Year | 2,000 | 2 | (2,002) | 0 | (2) |
| Cheshire East Borough Council | 14 months | 1,000 | 0 | (1,000) | 0 | (0) |
| Total | | 20,040 | 13,034 | (11,032) | 22,042 | (34) |

Overnight Investments

The balance of the daily surplus funds can be placed as overnight investments with the Councils bank which is Lloyds. The maximum amount invested with Lloyds in the first quarter of the financial year was £4.991m. There has been no breach of the £5m limit set in the Treasury Management Strategy. For clarity, this limit relates to the amount invested and doesn't include interest accruing as a result. The interest earned from daily balances to 30 June 2019 is £3,796.87.

Compliance with Treasury Limits

During the financial year the Council continued to operate within the treasury limits set out in the Council's Borrowing and Investment Strategy.

| | Actual 2019/20 £'000 | Set Limits 2019/20 £'000 |
|---|----------------------|--------------------------|
| Authorised Limit (total Council external borrowing limit) | 183,665 | 205,823 |
| Operational Boundary | 150,846 | 200,823 |

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

11 September 2019

Risk Management Update, Partnership Working and Strategic Risk Register

Report of the Chief Accountant and Section 151 Officer

This report is public

Purpose of the Report

- To update Members of the Audit and Corporate Governance Scrutiny Committee of the current position regarding Risk Management and Partnership Arrangements and the Strategic Risk Register as at 31 March 2019.

1 Report Details

Background

- 1.1. The Council's Strategic Risk Register has been developed with consideration to the strategic and operational risks which have been identified by Members and Officers as part of the Council's risk, service management and quarterly performance arrangements.
- 1.2. In its approach to risk management the Council is seeking to secure a number of objectives and to operate in line with recognised best practice. In order to appreciate the importance of risk management it is useful to reiterate these objectives:
 - To improve the way in which the Council manages its key risks so as to reduce the likelihood of them happening, and to mitigate the impact in those cases where they do materialise. This is a key element in protecting service delivery arrangements, the financial position and the reputation of the Council.
 - To strengthen the overall management arrangements of the Council. From a governance perspective the effective operation of risk management is a key element of the managerial framework operating within a council.
 - Effective risk management is a key component in ensuring that organisations are able to achieve their objectives, and that key projects proceed in line with plan.
 - The identification of the risks attached to existing service delivery, or to a project or new initiative allows a fully informed decision to be made, and helps

ensure that all appropriate measures to mitigate (or reduce) the risk are in place from the outset.

- An appreciation of the risk environment within which the Council operates assists in determining an appropriate level of financial reserves, whilst ensuring the organisation has a good awareness of its overall risk exposure.

The Strategic Risk Register

1.3. The revised Strategic Risk Register as at 31 March 2019 is set out in **Appendix 1** for consideration by this Committee. The intention is that this review of the Register will secure the following objectives:

- Identify any newly emerging risks which need to be added to the Register and removing any risks that have been resolved to maintain a focus on current risks.
- To revisit risk score assessments and ensure that appropriate mitigation remains in place.

1.4. A key theme which emerges from the Strategic Risk Register is an ongoing requirement to maintain performance levels in respect of service delivery, performance and governance and ensuring that the Council mitigates the risk of a catastrophic event or service failure impacting upon our community. This objective needs to be secured against a background of both declining and less certainty concerning financial resources. Allied to the financial position, local authorities are faced with significant legislative change impacting upon the financial framework and systems within which Council's operate. Any such change may impact on the way in which services to local residents are delivered with the potential to disrupt service provision.

1.5. The current Strategic Risk Register identifies the following risks:

1. Legislative change at a national level including uncertainty surrounding Brexit
2. Failure to deliver a balanced budget over the life of the MTFP
3. Significant operational service failure
4. Emergency planning and business continuity arrangements fail to meet required standards
5. Increasing difficulty to recruit and retain appropriately qualified staff
6. Failure to deliver against the Council's Plan targets
7. Failure to provide effective community leadership
8. Lack of governance arrangements robust enough to deal with a rapidly changing environment
9. Decrease in staff morale/increase in sickness levels
10. Failure to have robust, comprehensive policies/procedures in place for safeguarding children and vulnerable adults.
11. Failure of the Local Plan to be found sound at examination
12. Impact of HS2 and electrification of the Midland Main Line

Full details of the strategic risks identified above and the mitigations currently in place can be found in a copy of the register at **Appendix 1**.

Partnership Arrangements

- 1.6 Under the Council's Risk Management Strategy (including Partnership Working), a range of strategic partnerships are reported on and monitored within the Council's quarterly report processes in respect of Risk. These are complementary to the reports presented to Cabinet by the Partnerships Team in respect of the partnerships they co-ordinate.
- 1.9 This report sets out what might be termed as the Council's key partnerships. These are as follows:
- The relationship with the North Midlands authorities (Derbyshire and Nottinghamshire) and Sheffield City Region in progressing the economic development and devolution agenda.
 - Rykneld Homes, the Council's Arms Length Management Housing provider.
 - The Strategic Alliance with Bolsover District Council which is central to the transformation agenda of delivering services at lower costs whilst enhancing service resilience.
 - Shared Services arrangements with Chesterfield Borough Council (Internal Audit) and Derbyshire Dales District Council (Joint ICT) which help secure cost effective arrangements.
 - Arrangements with Derbyshire County Council to secure aligned services across the public sector in areas such as health and economic development.
 - The Community Safety Team and associated statutory partners including the Police.
- 1.10 Although the partnerships outlined above are very different in terms of scope and working arrangements they all have in place formal governance arrangements between the partners, supported by appropriate internal governance arrangements which cover performance, finance and risk. Appropriate approvals have been agreed as required by the Council's constitution. The arrangements in place are intended to be risk based and proportionate to the risks of the Council.
- 1.11 The risks facing the Council are many and varied and the approach to managing those risks should be applied within decision making processes. Risks will change over time so need continual monitoring. The approach to risk management should also be continuous with a structured review process. It is proposed therefore that a comprehensive review of the Council's risk management framework be undertaken at this time to ensure that the continued effective and systematic management of risk is achieved.

2 Conclusions and Reasons for Recommendation

- 2.1. The Strategic Risk Register is intended to highlight the major areas where the Council needs to manage its risks effectively. One of the key purposes of this report is to set out the risks that have been identified in the Strategic Risk Register and to encourage both Members and Officers to actively consider whether the Strategic Risk Register and supporting Service Risk Registers actively cover all of the issues facing the Council. It is proposed that a comprehensive review of the Council's risk management framework be undertaken at this time to ensure that the continued effective and systematic management of risk is achieved. The section on

Partnerships serves to highlight the extent of these working arrangements, together with the approach that has been adopted for their effective management.

3 Consultation and Equality Impact

- 3.1. There are no consultation or equalities issues arising from this report which necessitate a formal consultation process.

4 Alternative Options and Reasons for Rejection

- 4.1. Under relevant good practice and to facilitate the development of robust managerial arrangements the Council is required to prepare a Strategic Risk Register as part of its risk management framework. This report is intended for Members and Officers to consider both the Strategic Risk Register, together with the Council's wider framework for managing risk and partnerships. Given the importance of these arrangements for the overall governance of the Council it is necessary to subject them to regular review. The alternative of not providing this is therefore rejected.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 There are no additional financial implications arising out of this report. Whilst, where appropriate, additional mitigation measures have been identified and implemented during the course of preparing the Strategic and Operational Risk Registers, the cost of implementing this mitigation will be met from within previously agreed budgets.

- 5.1.2 Risk Management Issues are covered throughout the body of the main report.

5.2 Legal Implications including Data Protection

- 5.2.1 There are no legal or data protection issues arising directly out of this report.

5.3 Human Resources Implications

- 5.3.1 There are no human resource issues arising directly out of this report.

6 Recommendations

- 6.1. That the Audit and Corporate Governance Scrutiny Committee notes the report and Strategic Risk Register as at 31 March 2019 as set out in **Appendix 1**.

7 Decision Information

| | |
|---|---------------|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:</i> <i>Revenue - £75,000</i> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| Has the relevant Portfolio Holder been informed | Yes |
| District Wards Affected | None directly |
| Links to Corporate Plan priorities or Policy Framework | All |

8. Document Information

| Appendix No | Title | |
|--|---|-----------------------|
| 1 | Strategic Risk Register as at 31 March 2019 | |
| Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers) | | |
| Service Plan Risk Registers | | |
| Report Author | | Contact Number |
| Lee Hickin – Joint Strategic Director People | | 7218 |

STRATEGIC RISK REGISTER SUMMARY AS AT: 31 March 2019

| | Risk | Consequences | Risk Score (Likelihood Impact) x | Risk Score (Likelihood Impact) Taking into Account Current Controls | Risk Owner / Lead Officer |
|---|---|---|--|--|------------------------------|
| 1 | Parliamentary uncertainty following the General Election, Government Legislation / impact of referendum vote to leave the EU / adverse external economic climate has an accelerating impact on Council funding, or upon the local economy, to which Council is unable to adopt an appropriate change of Strategic direction. The decision to leave the EU | <ul style="list-style-type: none"> • Unable to deliver a package of services that both addresses changing national priorities whilst meeting changing local needs and aspirations. • Increases costs or reduces resources available to the Council directly, or to its key partners. • Reduced influence over delivery of local services. • Unable to effectively support local communities. • Increased demands on Council services at a time when Council resource base is reducing. | 4,4, 16 | 3,4 12 | SAMT / Political Leadership |

| | | | | | |
|---|---|---|---------------|---------------|---|
| | creates significant uncertainties whilst there is a significant programme of legislative change which impacts directly upon local government. | | | | |
| | <p><u>Mitigation.</u></p> <ul style="list-style-type: none"> • The Council is outward looking and actively works to secure details of proposed change and the approaches that might be adopted to mitigate against associated risks, including working to identify new income streams. • The Council has effective political and managerial arrangements in place to manage change. • Appropriate levels of financial reserves / investment funding are maintained to fund strategic shifts in service delivery. • Effective engagement with staff to ensure they embrace necessary change. | | | | |
| 2 | Failure to deliver a balanced budget in line with the MTFP, at a time when the Council's reserves are at an acceptable rather than a robust level, and localism has created significant uncertainties re future funding levels. | <ul style="list-style-type: none"> • Impact upon ability to deliver current level of services. • Unable to resource acceptable levels of service. • Significant adverse reputational Impact. | 4,4 16 | 3,4 12 | SAMT / Chief Executive / Chief Financial Officer / Political Leadership |

| | | | | | |
|---|---|--|---------------|---------------|----------------------------|
| | <p><u>Mitigation</u></p> <ul style="list-style-type: none"> • The Council has effective financial management in place to ensure budget arrangements are robust. • The Council has appropriate managerial arrangements and culture in place to manage any necessary change. • The Council has 'adequate' financial reserves in place to cushion against any loss of income for a period of at least one financial year. | | | | |
| 3 | <p>The Council is affected by a operational service failure which has a major impact upon the local community, this impact being reflected in the Council's sustainability and reputation. Failure could arise from services – inc Data Protection – failing to adhere to best practice. Resulting in a potential impact upon the Council's ability to secure its corporate objectives. Given the efficiency measures that have been</p> | <ul style="list-style-type: none"> • A significant service failure associated with a major impact on the local community. • Deterioration in services to the public, potentially a major impact upon a local resident or a group of local residents. • Significant staff and financial resources required to resolve position, impacting on other services. • A major service has its operating capacity significantly impact and is required to introduce major reform in its approach to service delivery. • Severe reputational damage | 3,5 15 | 2,5 10 | SAMT / Assistant Directors |

| | | | | | |
|----|---|--|---------------|--------------|------------------------|
| | introduced to date this is considered to be an increasing issue for the Council. | | | | |
| | <u>Mitigation</u> <ul style="list-style-type: none"> The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed. The Council has a Performance Management Framework in place to help ensure that services are delivered in line with good practice and industry standards. On going monitoring and regular reporting will help ensure that any emerging issues re service performance are effectively identified and resolved at the earliest possible opportunity. | | | | |
| 4. | <p>Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc.</p> <p>Cyber crime with a loss of data / systems, results in the inability to provide core services and reputational damage.</p> | <ul style="list-style-type: none"> Inability of Council to provide services as a consequence of a severe catastrophic external event (e.g. flooding, major terrorist incident, flu pandemic, fire, cyber crime). Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams. Business Continuity Plans prove ineffective in practice. | 3,4 12 | 2,4 8 | SAMT / Chief Executive |

| | | | | | |
|---|---|---|---------------|--------------|-------------------------|
| | <p><u>Mitigation</u></p> <ul style="list-style-type: none"> • The Council works in partnership with a range of partners on its Emergency Planning arrangements to ensure that we operate in line with best practice. There is an annual 'desktop' scenario to test officers understanding of the arrangements and validate that they are fit for purpose in a realistic 'trial' scenario. • All services have Business Continuity plans in place which identify key risks and mitigation. Corporate IT systems have been tested against Industry standards for Business Continuity. • The Council works in partnership with a range of other agencies that should be able to provide support in the event of the Council's own procedures failing to be effective. • The Council has in place industry standard measures to minimise the risk of cyber crime. | | | | |
| 5 | <p>Increasing difficulty in recruiting to key posts or in replacing key staff who leave. Staff morale is adversely affected arising from the pace of change, tightening financial circumstances or external circumstances.</p> | <ul style="list-style-type: none"> • Deterioration in services to the public. • Increasing inefficiencies in service provision. • Weakening of Internal Control arrangements. • Increased pressure on other members of staff. | 3,4 12 | 2,4 8 | SAMT / Asst Director HR |
| | <p><u>Mitigation</u></p> <ul style="list-style-type: none"> • The Council has effective communication and working with staff as validated by securing 'silver' accreditation at IIP. • There is sufficient funding to bring in agency staff where required to maintain service performance. • At this stage the problematic areas are those where there are national 'shortages'. In the majority of areas it has proved possible to recruit appropriate replacement staff. | | | | |

| | | | | | |
|---|--|--|--------|-------|------------------------|
| | <ul style="list-style-type: none"> • Appropriate training budgets are in place to ensure that staff receive necessary training to maintain service quality / continuity. • The Council is looking to introduce appropriate apprenticeship / training schemes in order to develop suitable staff. | | | | |
| 6 | <p>Delivery of the Council's Agenda is dependent upon effective delivery of both a number of major initiatives / projects and implementing a range of new government reforms whilst achieving financial targets and maintaining service quality, which may overstretch our reduced organisational capacity.</p> | <ul style="list-style-type: none"> • New initiatives are not delivered in a cost-effective manner. • Failure to maintain / improve services in line with local aspirations. • Failure to generate the savings required to balance the budget. • Financial savings measures weaken Governance / Internal Control arrangements. • Service deterioration / failure arising from capacity issues. | 3,4 12 | 2,4 8 | SAMT / Chief Executive |
| | <p><u>Mitigation</u></p> <ul style="list-style-type: none"> • The Council has effective prioritisation and project management arrangements in place to ensure resources are directed at key objectives. • The Council has made efforts to ensure effective use of employees by utilising shared services to protect service resilience, by maintaining appropriate training arrangements and by investing in transformational service delivery projects. • The Council has a robust performance management framework that is intended to highlight emerging issues. | | | | |

| | | | | | |
|---|---|---|---------------|--------------|--|
| 7 | Need to effectively engage with local communities and a range of local partners (inc Shared / Joint services) to deliver cost effective joined up services. | <ul style="list-style-type: none"> • Failure to provide effective community leadership. • Loss of trust in the Council • Inability to deliver good quality cost effective services targeted at local needs. • Poor outcomes for local residents, due to failure to engage other agencies. | 3,4 12 | 2,4 8 | Political Leadership Team / Chief Executive |
| <u>Mitigation</u> <ul style="list-style-type: none"> • The Council has in place a range of mechanisms designed to secure feedback from local residents including the Performance Framework, a range of consultation events and the role of Elected Members as local champions. • The Council has an active Partnerships Team and senior Members / Officers actively engage with other organisations serving the area. • The Council's management structures are aligned to our key partnership arrangements. | | | | | |
| 8 | Governance Arrangements including Performance, Finance and Risk Management need to be maintained in order to continue to operate effectively in a rapidly changing environment. | <ul style="list-style-type: none"> • Adverse Impact upon Service Quality. • Failure to deliver high quality services which address national and local priorities. • Significant adverse reputational impact. | 3,4 12 | 2,4 8 | Chief Financial Officer / Monitoring Officer |

| | | | | | |
|----|--|---|----------------|---------------|---------------------------|
| | <p><u>Mitigation</u></p> <ul style="list-style-type: none"> • The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed. • The Council has active Standards and Audit Committees which provide independent review of the Governance arrangements in the Council. • The Annual Governance Report sets out an evidence based structured assessment of the operation of the Council's governance arrangements. | | | | |
| 9 | Staff morale / Sickness Levels adversely affected as a result of the pace of change, tightening financial circumstances or external circumstances. | <ul style="list-style-type: none"> • Deterioration in services to the public and loss of productivity. • Loss of key staff / increased sickness levels. • Increased pressure on other members of staff. • Loss of 'goodwill.' | 3,4 12 | 3,3 9 | SAMT / Asst Director HR |
| | <ul style="list-style-type: none"> • The Council operates in line with the independent IIP standards and HR 'good practice' to help ensure current staff are well managed and motivated. • The staff has a range of communication mechanisms in place to ensure staff engagement with the Council's agenda. • The Council has reduced its emphasis of securing savings through vacancy management and seeks to bring in 'agency staff' etc as required. • While the Council cannot control external circumstances it has continued to work with staff to mitigate the impact of these on individual employees. | | | | |
| 10 | Failure to have in place robust, comprehensive and up to date policies and procedures for | <ul style="list-style-type: none"> • Profile of safeguarding is poor • Staff and members do not know what safeguarding is and their role within it • Staff and members do not know | 4,4, 16 | 2,4, 8 | SAMT/Political Leadership |

| | | | | | |
|----|--|--|----------------|---------------|-----------------------------|
| | safeguarding children and vulnerable adults. | <p>how to spot the signs</p> <ul style="list-style-type: none"> • Staff and members do not know how to report it and to who? • Lack of public confidence in Council policies plans and staff • Reputational damage • Potential significant harm to individuals resulting from abuse and neglect of Children and/or Vulnerable Adults possibly leading to personal harm, injury and death | | | |
| | <ul style="list-style-type: none"> • The Council has in place up to date policies for safeguarding both Children and Vulnerable Adults. These policies are aligned to DCC policies which in turn are in line with legislation, regulation and statutory duties placed on Local Authorities. • The Council has in place and maintain systems of working practice to safeguard children and vulnerable adults at Council activities and those who receive Council services. • Staff recognised as appropriate to do, are DBS/CRB checked • All staff receive mandatory safeguarding training • Safeguarding is widely promoted and embedded throughout the organisation with all staff being issued with a wallet sized 'safeguarding quick reference guide' which details what to look out for and what to do • The Council has an internal safeguarding group which meets quarterly which has representation from all service areas of the Council. • The Council host and Chair the Countywide Derbyshire Safeguarding Leads Sub Group of the Derbyshire Safeguarding Childrens Board and Derbyshire Safeguarding Adults Board • The Council are represented on both the Derbyshire Safeguarding Children's Board (DSCB) and the Derbyshire Safeguarding Adults Board (DSAB) | | | | |
| 11 | Failure of NEDDC's Local Plan to be found | <ul style="list-style-type: none"> • Potential Government intervention • Undermining the local plan | 4,4, 16 | 2,4, 8 | SAMT / Political Leadership |

| | | | | | | |
|----|--|----|--|--------|--------|-----------------------------|
| | sound independent examination. | at | <ul style="list-style-type: none"> • Reputational damage • Loss of control of planning and development | | | |
| | <ul style="list-style-type: none"> • The Council has successfully avoided Government intervention in the plan-making process. • The Plan will be at independent examination and in the hands of the independent Inspector, with timescales largely outside of the Council's control. The greatest risk to any Plan at this stage is that it could be found to be unsound on a point of law, or it fails to demonstrate that it has been positively prepared and is justified. This is expected to take place during the Autumn of 2018. • The Council has taken all reasonable steps in the preparation of the Plan to ensure that it is based on sound evidence and meets procedural and legal requirements. This has included taking external legal advice, securing an advisory visit with the Planning Inspectorate and engaging consultants to critically review the Publication Draft Plan. | | | | | |
| 12 | Impact of HS2 and the electrification of the MML on environment, heritage, communities and businesses. | | <ul style="list-style-type: none"> • Without considerable environmental mitigation measures will have a negative impact on the visual amenity of the district, disruption to businesses, home owners and communities. It also has the potential to sterilise areas of development due to uncertainty. | 4,4,16 | 4,4,16 | SAMT / Political Leadership |
| | <ul style="list-style-type: none"> • CEX and senior management actively engaged with HS2 staff to discuss proactive business mitigation measures. • Political leadership working with relevant community groups and agencies lobbying for enhanced mitigation measures. • Contributing to the East Midlands HS2 growth strategy and also that we part of the mitigation study | | | | | |

North East Derbyshire District Council

**Audit and Corporate Governance Scrutiny
Committee**

11 September 2019

| |
|---|
| <p>Corporate Plan Targets Performance Update April to June 2019 (Q1 – 2019/2020)</p> |
|---|

Report of the Information, Engagement and Performance Manager

This report is public

Purpose of the Report

- To report the Quarter 1 outturns for the Corporate Plan 2019-2020 targets.

1 Report Details

1.1 The attached contains the performance outturn as of 30 June 2019 (information compiled on 14 August 2019).

1.2 A summary by corporate plan target is provided below:

1.3 Unlocking our Growth Potential

- 8 targets in total
- 7 targets On Track
- 1 target Extended

- **G 09** - *Ensure preparation of the Local Plan is in line with the adopted timetable and report annually in December through the statutory Authority Monitoring Report* - The Local Plan is currently on hold pending consideration of the options in relation to Housing Numbers and Green Belt Allocations.

1.4 Providing our Customers with Excellent Service

- 9 targets in total
- 9 targets On Track

1.5 Supporting our Communities to be Healthier, Safer, Cleaner and Greener

- 8 targets in total
- 8 targets On Track

1.6 Transforming our Organisation

- 2 targets in total
- 2 targets On Track

2 Conclusions and Reasons for Recommendation

2.1 Out of the 27 targets 26 (96%) are On Track and 1 target Extended (4%).

2.2 This is an information report to keep Members informed of progress against the corporate plan targets noting achievements and any areas of concern.

3 Consultation and Equality Impact

3.1 Not applicable to this report as consultation was carried out on the original Corporate Plan. However individual projects may require consultation exercises and equality impact assessments.

4 Alternative Options and Reasons for Rejection

4.1 Not applicable to this report as providing an overview of performance against agreed targets

5 Implications

5.1 Finance and Risk Implications

5.1.1 No finance or risk implications within this performance report. Finance and risk implications will be assessed for individual targets.

5.2 Legal Implications including Data Protection

5.2.1 No legal implications within this performance report.

5.3 Human Resources Implications

5.3.1 No human resource implications within this performance report.

6 Recommendations

6.1 That progress against the Corporate Plan 2019-2020 targets to be noted.

7 Decision Information

| | |
|---|----|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: | No |
|---|----|




| | |
|---|----------------|
| BDC: <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> NEDDC: <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| Has the relevant Portfolio Holder been informed | Yes |
| District Wards Affected | Not applicable |
| Links to Corporate Plan priorities or Policy Framework | All |

8 Document Information


| Appendix No | Title | |
|--|--|----------------|
| 1 | Corporate Plan Targets Update – Q1 April – June 2019 | |
| Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers) | | |
| | | |
| Report Author | | Contact Number |
| Kath Drury, Information, Engagement and Performance Manager. | | 01246 242280 |

North East Derbyshire District Council
Corporate Plan Targets Update – Quarter 1 April to June 2019

Status key

| Target Status | Usage |
|--|---|
|  On Track | The target is progressing well against the intended outcomes and intended date. |
|  Achieved | Achieved The target has been successfully |
|  Extended | The date for completion of this target has been formally extended by SAMT and/or Members. |

Aim – Unlocking our Growth Potential

| Key Corporate Target | Directorate | Status | | Progress | Target Date |
|--|-------------|----------|---|---|-------------|
| G 01 - Through the use of Key Account Management develop a relationship with a minimum of 50 local | Place | On Track |  | Q1: 14 Businesses supported, full details on PERFORM system. Support ranges from Business Growth Fund advice & support through to potential site options for relocation into the district. Business networks held in April, May and June - average | Mar-20 |

| Key Corporate Target | Directorate | Status | | Progress | Target Date |
|---|-------------|----------|--|--|-------------|
| businesses by March 2020. | | | | attendance 30 businesses. | |
| G 04 - Through the Bolsover North East Derbyshire LEADER Approach collectively support the creation of 40 sustainable jobs in the combined programme area by December 2020. | Place | On Track | | Q1: No further projects were approved in the quarter although Expressions of Interest to the value of £91,970 were received, which are currently developing their Full Applications. The Rural Payments Agency has extended the contracting deadline to 30 September 2019 and this has been publicised to business support networks and parish and town councils in order to attract further applications. Note: Jobs total relates to the period 2015-2020 – to date 68.82 FTE jobs created | Dec-20 |
| G 06 - Provide pre-employment activities to at least 60 unemployed residents per year. | Place | On Track | | Q1: 60 residents have been supported with pre-employment activities | Mar-20 |
| G 07 - Support at least 20 unemployed residents into employment per year. | Place | On Track | | Q1: 20 residents have been supported into employment | Mar-20 |
| G 09 - Ensure preparation of the Local Plan is in line with the adopted timetable and report annually in | Place | Extended | | Q1: The Local Plan is currently on hold pending consideration of the options in relation to Housing Numbers and Green Belt Allocations. | Mar-20 |

| Key Corporate Target | Directorate | Status | | Progress | Target Date |
|--|-------------|----------|--|--|-------------|
| December through the statutory Authority Monitoring Report | | | | | |
| G 10 - Process all major planning applications 10% better than the minimum for special measures per annum. | Place | On Track | | Q1: 80% (4 out of 5 major applications determined in time). Target 2019/20: 70%, Special Measures 60% | Mar-20 |
| G 12 - Through a programme of targeted refurbishment bring 10 empty properties per year back into use by March 2020. | Place | On track | | Q1: Through the promotion of the E.ON empty property scheme, 13 empty properties have been referred to the service and E.ON are working with the owners; to bring these properties back into use. It is expected by the end of the next quarter; that 5 will have been brought back into use, through this scheme. The empty property officer has assisted 2 owners with claiming the reduced rate of VAT on their renovation works. As a result of this; 1 property has been brought back into use and another will be brought back later this year. The Council and Action Housing are continuing to promote the leasing schemes to owners of empty properties. Recently a | Mar-20 |

| Key Corporate Target | Directorate | Status | | Progress | Target Date |
|--|-------------|----------|--|---|-------------|
| | | | | <p>Landlord event was held, which was attended by 35 landlords from the area. The event received positive feedback due to the relevant topics covered in the presentations and also the large number of organisations that attended; to support the private rented sector.</p> <p>To date 1 empty property has been brought back into use; through the Council's intervention.</p> | |
| G 13 - Work with partners to deliver an average of 100 affordable homes each year. | Place | On Track | | <p>Q1: The number of affordable housing delivered is reported annually after financial year end. (59 units of affordable housing were completed in the financial year 2018/19, being 53 new builds and 6 acquisitions).</p> <p>The current position is that 177 affordable housing units will be provided on sites currently under construction and a further 143 will be provided on sites with full permission granted, but yet to start on site.</p> | Mar-20 |

Aim – Providing our Customers with Excellent Service

| Key Corporate Target | Directorate | Status | | Progress | Target Date |
|--|-------------|----------|--|---|-------------|
| C 03 - Achieve a consistent annual satisfaction rate of 80% or above for leisure, recreation and cultural activities and services. | People | On Track | | The 2019 survey will be carried out between October & November. (2018/19 survey - 83.6%) | Mar-20 |
| C 05 - Reduce the average time to relet void Council properties to 22 days by March 2020 (HCA core definition). | Place | On Track | | Q1:13 days | Mar-20 |
| C 06 - Complete to target 98.9% of all responsive repairs on Council properties each year. | Place | On Track | | Q1: 99.6% | Mar-20 |
| C 10 - Monitor performance against the corporate equality objectives and publish information annually | People | On Track | | Q1: Good progress is being made against the new equality objectives for 2019-23, notable actions this quarter include delivering a bespoke training session to the planning team and the corporate equality induction to new starters. An article has been submitted to the News magazine promoting the new Single equality scheme and the outcome document for the previous scheme. Transgender training was organised via an external provider for over 60 frontline leisure staff at the 3 leisure centres following a need identified by the service. Guidance was also published to | Mar-20 |

| Key Corporate Target | Directorate | Status | | Progress | Target Date |
|--|-------------|----------|--|---|-------------|
| | | | | staff answering FAQs about assisting transgender customers. Excellent feedback received through the evaluations. | |
| C 11 - Achieve an overall annual success rate of 80% for households who considered themselves homeless for whom casework resolved the situation. | Place | On Track | | Q1: 62 new cases were opened (42 prevention & 20 relief) We recorded 54 positive outcomes for the quarter giving 87% success rate. | Mar-20 |
| C 12 - Invest in voluntary and community organisations to assist over 13,000 vulnerable and disadvantaged households year on year. | People | On Track | | Q1: In 2018/19 22,944 households were supported by the 6 main funded vol-com groups, an increase from 20,832 in 2017/18. The majority of this support was around welfare benefits, debt and housing issues. | Mar-20 |
| C 14 - Process all new Housing Benefit and Council Tax Support claims within an average of 21 days. | People | On Track | | Q1 - 17.4 Days (Actual) | Mar-20 |
| C 15 - Process changes to Housing Benefit and Council Tax Support within an average of 9 days. | People | On Track | | Q1 – 4.74 Days (Actual) | Mar-20 |
| C 16 - Ensure all properties (with a gas supply) have a current gas safety certificate | Place | On Track | | Q1: 100% | Mar-20 |

Aim – Supporting our Communities to be Healthier, Safer, Cleaner and Greener

| Key Corporate Target | Directorate | Status | | Progress | Target Date |
|---|-------------|----------|--|---|-------------|
| H 02 - Increase participation/attendances in leisure, sport, recreational, health, physical and cultural activity by 5,000 per year. | People | On Track | | Q1: Actual attendance recorded April, May & June was 184,603. This is 853 above the target (183,750) due to improved business in-particular around swimming lesson attendance and gym memberships. | Mar-20 |
| H 03 - Deliver a health intervention programme which provides 600 adults per year with a personal exercise plan via the exercise referral scheme. | People | On Track | | Target Q1 - 65 Actual Q1 - 80 | Mar-20 |
| H 06 - Assist partners in reducing crime and antisocial behaviour by delivering 10 targeted crime reduction campaigns with a minimum of 200 people attending each year. | Place | On Track | | Q1: 3 events, over 210 people involved: 1. Dronfield Gala - over 100 people given crime advice and ASB information. 2. Tupton door knock - serious ASB - over 40 people given relevant advice. 3. Police giving out purse bells to the elderly - over 70 vulnerable people seen. | Mar-20 |
| H 07 - Achieve a combined recycling and composting rate of 47% by March 2020. | People | On Track | | Q1 (2019/20) performance is estimated on Q1 (2018/19) Waste Data Flow information due to the data not being available until ending July 2019. It is estimated 6835.20 tonnes of recyclable\compostable waste will have been diverted, yielding a combined recycling rate of 57.4 % between April and June 2019. | Mar-20 |
| H 08 - Sustain standards of litter cleanliness to achieve 96% of streets each year meet an acceptable level as assessed by Local Environment Quality Surveys (LEQS). | People | On Track | | Q1: LEQS's established 2.44 % of streets and relevant land surveyed fell below grade B cleanliness standards resulting in 97.56 %, exceeding the target. | Mar-20 |

| Key Corporate Target | Directorate | Status | | Progress | Target Date |
|--|-------------|----------|--|---|-------------|
| H 09 - Sustain standards of dog fouling cleanliness to ensure 98% of streets each year meet an acceptable level as assessed by Local Environment Quality Surveys (LEQS). | People | On Track | | Q1: LEQS's established 0.44% of streets and relevant land surveyed fell below grade B cleanliness standards resulting in 99.56 %, exceeding the target. | Mar-20 |
| H 10 - Annually undertake 10 local environmental enforcement and educational initiatives in targeted areas to deal with dog fouling, littering or fly tipping. | Place | On Track | | <p>Q1 - No initiatives were undertaken during quarter one, but a number are planned for quarter 2.</p> <p>Q1 - Nil events</p> <p>Q2 - Clay Cross Gala - completed</p> <p>Tupton Carnival - completed</p> <p>PDSA event in Eckington - completed</p> <p>Recycling event in Holmewood - planned</p> <p>Recycling event in Dronfield - planned</p> <p>Approx 2 enforcement patrols - planned</p> | Mar-20 |

| Key Corporate Target | Directorate | Status | | Progress | Target Date |
|--|-------------|----------|--|---|-------------|
| | | | | <p>Q3 - PDSA event in Sharley Park</p> <p>Approx 5 enforcement patrols - planned</p> <p>Q4 - Approx 5 enforcement patrols planned</p> | |
| H 12 - Support the development and delivery of projects as part of the £1 million 'Grassland Hasmoor...' Big Local scheme by March 2020. | People | On Track | | <p>Q1: GHBL has commissioned its "Expert Advisor" to provide Development Capacity support. Focus of the work to date has been the delivery options regarding a new LTO organisation from 1st April 2020 which will enable GHBL to manage its own funding, employ staff and commission activity from 1st April 2020. A commission to provide a Youth Club in Grassmoor from November 2019 has been advertised and a horse mounting block installed at Grassmoor Country Park, which has also been supported to gain Derbyshire Wildlife Trust designation.</p> | Mar-20 |

Aim – Transforming our Organisation

| Key Corporate Target | Directorate | Status | | Progress | Target Date |
|---|-------------|----------|--|---|-------------|
| T 07 - Collect a minimum of 97.38% rent on Council properties each year. | Place | On Track | | <p>Q1: 88.18% collected against a profiled target for Q1 of 88.16%. On target to achieve year end collection.</p> | Mar-20 |
| T 11 - Increase on-line self service transactions dealt with by the Contact Centre by 20% per year. | People | On Track | | <p>Q1: 539 service requested had been submitted during quarter 1 via this access channel. More on-line self-form have been added. Target status to be reviewed at Q2.</p> | Mar-20 |

| Key Corporate Target | Directorate | Status | | Progress | Target Date |
|----------------------|-------------|--------|--|---|-------------|
| | | | | <p>A total of 239 self-service accounts had been created during quarter 1, giving a running total of 1892 self-service accounts to date, an increase of 14% from the end of last financial years figure of 1653.</p> <p>Target for 2019/20 = 3289 transactions (2018/19 transactions total, 2741 + 20% (822))</p> | |

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

11 September 2019

| |
|---|
| Committee Work Programme 2019/2020 |
|---|

Report of the Joint Head of Corporate Governance and Monitoring Officer

This report is public

Purpose of the Report

- To enable the Audit and Corporate Governance Scrutiny Committee to consider an appropriate Work Programme for the municipal year 2019/2020.

1 Report Details

- 1.1 The Audit and Corporate Governance Scrutiny Committee considers a range of financial and governance issues on a regular basis. Given the number of matters that are examined by the Committee it is appropriate that an Annual Work Programme continues to be in place. This programme will form part of the report on the Scrutiny Committees Work Programmes 2019/2020. This has been submitted to Cabinet on 5 September 2019 for information however the report indicates that it is a draft Work Programme still to be considered by this Committee. Amendments agreed by the Audit and Corporate Governance Scrutiny Committee at its meeting on 11 September 2019 will be reported to Cabinet as an update.
- 1.2 The proposed Work Programme is set out in the attached **Appendix 1**. It should be recognised that the work plan is at this stage an indicative one to which matters may be added or removed as appropriate.
- 1.3 The draft Work Programme enables Members to give structured consideration as to whether the proposed agenda items are appropriate and serve to meet the objectives of the Committee. That question needs to be considered in the light of the Council's Constitution, Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance on the role of an Audit Committee and established good practice. Attached as **Appendix 2** for Members information is a copy of the Committees delegations, taken from the Council's Constitution.

2 Conclusions and Reasons for Recommendation

- 2.1 To enable the Committee to consider its Work Programme for 2019/2020.

3 Consultation and Equality Impact

- 3.1 There are no consultation and equality impact matters arising directly from the content of this report.

4 Alternative Options and Reasons for Rejection

- 4.1 There are no other options proposed.

5 Implications

5.1 Finance and Risk Implications

The development of a Work Programme for the Audit and Corporate Governance Scrutiny Committee will provide an appropriate structure to assist and support the Committee's work. This will help to ensure that the Committee continues to operate effectively and that the Council's governance/scrutiny and accountability arrangements remain robust. The Programme is designed to allow the Audit and Corporate Governance Scrutiny Committee to continue its flexible approach to its work and consider the range of matters which are within its remit.

There are no financial issues arising from the report.

5.2 Legal Implications including Data Protection

There are no legal issues or Data Protection matters arising directly from this report.

5.3 Human Resources Implications

There are no Human Resource issues arising from the report.

6 Recommendations

- 6.1 That the Committee notes and endorses the Audit and Corporate Governance Scrutiny Work Programme 2019/2020 as set out in the attached **Appendix 1**.

7 Decision Information

| | |
|---|----|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | No |
| Is the decision subject to Call-In? | |

| | |
|---|-------------------------|
| (Only Key Decisions are subject to Call-In) | No |
| District Wards Affected | None Directly |
| Links to Corporate Plan priorities or Policy Framework | High Performing Council |

8 Document Information

| Appendix No | Title |
|--|---|
| 1 | Audit and Corporate Governance Scrutiny Committee Work Programme 2019/2020 |
| 2 | Audit and Corporate Governance Committees – Remit as established by the Constitution. |
| Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers) | |
| N/A | |
| Report Author | Contact Number |
| Alan Maher Senior Governance Officer | 01246 217391 |

**AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE: PROPOSED
WORK PROGRAMME 2019/2020**

| <u>DATE OF MEETING</u> | <u>ITEM</u> |
|-------------------------------|--|
| 25 July 2019 | <ul style="list-style-type: none"> • Report of Those Charged with Governance ISA260 • NEDDC Statement of Accounts 2018/19 • Financial Outturn 2018/19 • Quarter 1 Financial Monitoring 2019/20 • Performance Management Quarter 1 2019/20 • Internal Audit Charter • Summary of Progress on the Annual Internal Audit Plan 2019/20 |
| 11 September 2019 | <ul style="list-style-type: none"> • Annual Audit letter 2018/19 (External Auditor) • Presentation by Arlingclose – Treasury Management and Investment Opportunities • Strategic Risk Register and Partnership Arrangements • Work Programme • Role of the Head of Internal Audit |
| 28 November 2019 | <ul style="list-style-type: none"> • Summary of Internal Audit Reports 2019/20 • Revised Budget 2019/20 • Fighting Fraud and Corruption Locally • Monitoring the Implementation of Internal Audit Recommendations • Evaluate the Effectiveness of the Audit and Corporate Governance Committee • Performance Management Q2 2019/20 • Quarter 2 Financial Monitoring 2019/20 • Strategic Risk Register and Partnership Arrangements • Corporate Debt – Quarter 2 • Review of Terms of Reference • Work Programme |
| 30 January 2020 | <ul style="list-style-type: none"> • Medium Term Financial Plan 2020/21 – 2023/24 • Treasury Management Strategies 2020/21 – 2023/24 • Proposed Accounting Policies 2019/20 • Summary of Progress on the Annual Internal Audit Plan 2019/20 • Performance Management Q3 2019/20 • Corporate Debt Q3 • Financial Procedures within Constitution Review • Work Programme |
| 30 April 2020 | <ul style="list-style-type: none"> • Annual Review of Effectiveness of Internal Audit • Report of the External Auditor – Audit Plan 2020/21 • Report of the External Auditor – Progress report and Technical Update • Internal Audit Plan • Corporate Plan – Quarter 4 • Performance Management Quarter 4 2019/20 |

| | |
|-------------|---|
| | <ul style="list-style-type: none"> • Strategic Risk Register and Partnership Arrangements • Performance Management Quarter 4 - 2019/20 • Annual Governance Statement • Work Programme |
| 28 May 2020 | <ul style="list-style-type: none"> • Internal Audit Consortium: Annual Report 2017/2018 • Summary of Internal Audit Reports Issued 2017/2018 • Annual governance Statement 2017/18 • Strategic Risk Register and Partnership arrangements • Performance Management Quarter 4 2017/18 • Monitoring of implementation of internal audit recommendations |

Committee Terms of Reference

1. Scrutiny Committees

The following *Scrutiny Committees* have been established:

- (i) Growth Scrutiny Committee
- (ii) Communities Scrutiny Committee
- (iii) Organisation Scrutiny Committee
- (iv) Audit and Corporate Governance Scrutiny Committee

With nine Councillors on each Committee.

The *Scrutiny Committees* will follow the *Scrutiny Rules*.

Within their themed areas, all *Scrutiny Committees* will:-

- (i) review decisions made by and the performance of the *Council Meeting*, the *Cabinet*, committees and *Officers* both in relation to individual decisions and over time (but not including *Regulatory Decisions*)
- (ii) review the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas
- (iii) question members of the *Cabinet* and *Officers* about their decisions and performance, whether generally in comparison with service plans and targets over a period of time, or in relation to particular decisions (but not including *Regulatory Decisions*)
- (iv) make recommendations to the *Council Meeting* and/or *Cabinet* arising from work undertaken by a *Scrutiny Committee*
- (v) review the performance of other public bodies in the area and invite reports from them by asking them to address the *Scrutiny Committee* about their activities and performance
- (vi) question and gather evidence from any person with their consent
- (vii) collaborate with other *Scrutiny Committees* and other bodies carrying out similar functions outside the Council
- (viii) report to the Council meeting annually on the scrutiny function and their work
- (ix) exercise functions relating to call in and Councillor Call for Action.

The committees will have responsibility for scrutiny functions relating to:-

| Growth Scrutiny Committee | Communities Scrutiny Committee | Organisation Scrutiny Committee |
|--|--|--|
| <ul style="list-style-type: none"> • Local Enterprise Partnership and Combined Authorities • Business/Economy • Economic Development • Regeneration • Asset Management • Planning • Tourism • Partnerships • Strategic Housing – Housing Strategy | <ul style="list-style-type: none"> • Statutory Crime and Disorder responsibility • Community Safety • Leisure • Health and Well being • Street Scene • Environment Health (including Licensing) • Inclusion • Equality • Housing Management • Emergency planning • Estates and property | <ul style="list-style-type: none"> • Services: <ul style="list-style-type: none"> ○ Audit ○ Communication and Consultation ○ Customer Services ○ Finance ○ Governance ○ Human Resources ○ ICT ○ Legal ○ Procurement ○ Revenue and Benefits ○ Scrutiny ○ Strategy and Performance • Shared Services • Commissioning/De-Commissioning Services • Self Regulation • Transformation Programme • Employees |

| Audit and Corporate Governance Scrutiny Committee |
|--|
| <p>The committee will:-</p> <ul style="list-style-type: none"> • consider the Internal Audit annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements • consider summaries of specific Internal Audit reports as requested • consider reports dealing with the management and performance of the providers of Internal Audit Services • consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale • consider the External Auditor's Management Letter, relevant reports, and the report to those charged with governance |

- consider specific reports as agreed with the External Auditor
- comment on the scope and depth of external audit work to ensure it gives value for money
- liaise with the Audit Commission over the appointment of the Council's external auditor
- commission work from Internal and External Audit as necessary
- maintain an overview of the Contract Procedure Rules, and Finance Rules
- review any issue referred to it by the Chief Executive Officer, a Director, the Monitoring Officer, the Chief Finance Officer or the Council Meeting, a committee or the Cabinet
- monitor the effective development and operation of risk management and corporate governance in the Council
- monitor the Council's anti-fraud and corruption strategy
- oversee the production of the Council's Annual Governance Statement and recommend its adoption
- oversee the Council's arrangements for corporate governance and agree necessary actions to ensure compliance with best practice
- oversee the Council's compliance with its own and other published standards and control
- approve the Council's audited Annual Statement of Accounts
- review the annual statement of accounts, specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council Meeting
- consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts

Issues falling within the functions of two or more Scrutiny Committees

Any Committee may consider matters that are important to the Health and Well Being of residents within North East Derbyshire.

Where a particular issue could fall within the functions of two or more Scrutiny Committees the Chairs of the relevant Scrutiny Committees, following consultation with the Overview and Scrutiny Manager, will agree which Scrutiny Committee will consider the matter.

Joint scrutiny arrangements

The Council is part of the Shared Services Joint Scrutiny Committee with Bolsover District and Chesterfield Borough Councils which scrutinises the joint working arrangements across the three Councils.