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FAREHAM
BOROUGH COUNCIL

AGENDA
AUDIT AND GOVERNANCE COMMITTEE

Date: Monday, 12 March 2018

Time: 6.00 pm

Venue: Collingwood Room - Civic Offices

Members:

Councillor J E Butts (Chairman)

Councillor P J Davies (Vice-Chairman)

Councillors Mrs M Brady
Miss T G Harper
Mrs C Heneghan
Mrs K Mandry
S D Martin

Deputies: Mrs S M Bayford

1. Apologies

2. Minutes (Pages 5 - 8)

To confirm as a correct record the minutes of the Audit and Governance Committee meeting held on 27 November 2017.

3. Chairman's Announcements

4. Declarations of Interest and Disclosures of Advice or Directions

To receive any declarations of interest from members in accordance with Standing Orders and the Council's Code of Conduct.

5. Deputations

To receive any deputations of which notice has been lodged.

6. External Audit Annual Certification Report (Pages 9 - 18)

To consider a report by the Director of Finance and Resources on the findings from the 2016-17 certification work carried out by the External Auditors (Ernst and Young).

7. External Audit Annual Plan and Fee (Pages 19 - 58)

To consider a report by the Director of Finance and Resources on the External Auditor's Annual Plan of work for 2018/19 and proposed Fee for 2017/18 work.

8. Treasury Management Policy and Strategy (Pages 59 - 82)

To consider a report by the Director of Finance and Resources on the Treasury Management Policy and Strategy for 2018/19.

9. Risk Management Monitoring Report (Pages 83 - 104)

To consider a report from the Director of Finance and Resources on the Risk Management Monitoring Policy.

10. Constitution Updates (Pages 105 - 116)

To consider a report by the Monitoring Officer informing Members of the ongoing work to update and review the Council's Constitution.

11. Review of Contract Procedure Rules and Financial Regulation 15 - Contracts and Procurement Procedures (Pages 117 - 140)

To consider a report from the Head of Finance and Audit on updates to the Contract Procedure Rules and Financial Regulations 15 following a Vanguard intervention review on procurement procedures.

12. Internal Audit Annual Plan (Pages 141 - 146)

To consider a report by the Head of Finance and Audit on the Internal Audit Plan 2018/19.

13. Quarterly Audit Report (Pages 147 - 162)

To consider a report by the Head of Finance and Audit on the findings arising from the latest internal audit work to be finalised and the progress being made on delivering the internal audit plan.

14. Annual Audit and Governance Committee Report, Work Programme and Training Plan (Pages 163 - 168)

To consider the annual report by the Head of Finance and Audit on the work of the Audit and Governance Committee during 2017/18 and the proposed work programme for 2018/19.

P GRIMWOOD
Chief Executive Officer

Civic Offices
www.fareham.gov.uk
11 March 2019

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democraticservices@fareham.gov.uk

FAREHAM
BOROUGH COUNCIL

Minutes of the Audit and Governance Committee

(to be confirmed at the next meeting)

Date: Monday, 27 November 2017

Venue: Collingwood Room - Civic Offices

PRESENT:

Councillor J E Butts (Chairman)

Councillor P J Davies (Vice-Chairman)

Councillors: Mrs T L Ellis, Miss T G Harper, Mrs K Mandry, S D Martin and S Cunningham (deputising for Mrs M Brady)

Also Present:

1. APOLOGIES

Councillor P J Davies Chaired the start of the meeting due to the Chairman being delayed

An apology of absence was received from Councillor Mrs M Brady.

2. MINUTES

Councillor J E Butts joined the Committee at the start of this item and Chaired the remainder of the meeting.

RESOLVED that the minutes of the Audit and Governance Committee meeting held on the 25 September 2017 be confirmed and signed as a correct record.

3. CHAIRMAN'S ANNOUNCEMENTS

The Chairman made the following announcement: -

Members will be aware that the Council can use investigatory powers under the Regulation of Investigatory Powers Act (RIPA). These include surveillance and use of communications data.

Members receive an update on our use of these powers each year in the Annual Counter Fraud report (6 uses in 2016/17). They also receive a copy of the Office of Surveillance Commissioner's inspection report following their on-site inspection every 3 years.

The body responsible for the inspections has now changed under the Investigatory Powers Act 2016 and is now the Investigatory Powers Commissioner's Office (IPCO).

Our next inspection is due in December 2017 but IPCO are using a different approach for District and Borough Councils. They issued the Council with a questionnaire to complete about the way the Council currently manages its use of investigatory powers, which was submitted to them on 17 November 2017. They are now assessing the information contained in the questionnaire and will then decide whether an on-site inspection is still needed.

4. DECLARATIONS OF INTEREST AND DISCLOSURES OF ADVICE OR DIRECTIONS

There were no declarations of interest made at this meeting.

5. DEPUTATIONS

There were no deputations made at this meeting.

6. EXTERNAL AUDIT - ANNUAL AUDIT LETTER

The Committee considered a report by the Director of Finance and Resources on the External Auditors Annual Audit Letter, which summarises the findings from the 2016/17 audit.

Helen Thompson from EY addressed the Committee to update them on changes to the team; Kevin Suiter is to replace Helen Thompson as the Engagement Lead and Becky Gray, who was in attendance and was introduced to the Committee, has taken over from Jason Jones as the Audit Manager. Helen reassured the Committee that both Jason and her will be remaining at EY so there will be a smooth handover.

RESOLVED that the Committee note the content of the report.

7. TREASURY MANAGEMENT PROGRESS REPORT

The Committee considered a report by the Director of Finance and Resources which sets out the mid-year review of the Treasury Management activity up to 30 September 2017.

RESOLVED that the Committee note the contents of the report.

8. GENERAL DATA PROTECTION REGULATIONS

The Committee received a presentation with a supporting briefing paper from the Head of Democratic Services outlining the General Data Protection Regulation (GDPR) which comes into effect in May 2018.

The presentation, which was delivered by the Committee and Information Services Manager gave an overview of GDPR and advised members how this will affect the Council directly and the work currently being undertaken to ensure officers across all services are ready for its implementation in May next year.

The Head of Democratic Services addressed the Committee to advise that briefing sessions will be delivered next year to all Members of the Council on GDPR, to ensure they too know how to manage and store data safely and securely.

RESOLVED that the Committee notes: -

(a) the contents of the briefing paper; and

(b) the contents of the presentation.

9. UPDATE ON VANGUARD REVIEW OF PROCUREMENT

The Committee received a presentation from the Head of Democratic Services reviewing the Vanguard work being undertaken on the Council's procurement process.

The Head of Democratic Services began by introducing Karen Richards, Procurement Manager to the Committee. The Head of Democratic Services then went onto deliver a detailed presentation about the work being carried out to improve the Council's procurement process using the Vanguard method. Draft buying principals were presented for comment and the Committee was advised that this review would inform work to revise the Council's Contract Procedure Rules.

RESOLVED that members note the content of the verbal update.

10. QUARTERLY AUDIT REPORT

The Committee considered the Quarterly Audit Report by the Head of Finance and Audit.

RESOLVED that the Committee note the progress and findings arising from the internal audit work.

11. REVIEW OF THE WORK PROGRAMME

The Committee considered a report by the Head of Finance and Audit which reviewed the Committee's Work Programme for 2017/18.

RESOLVED that the Work Programme for the rest of the municipal year, be approved.

(The meeting started at 6.00 pm
and ended at 7.35 pm).

FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date **12 March 2018**

Report of: **Director of Finance and Resources**

Subject: **EXTERNAL AUDIT ANNUAL CERTIFICATION REPORT**

SUMMARY

This report presents the findings from the 2016-17 certification work carried out by the External Auditors (Ernst and Young). The work covered the Housing Benefit Subsidy Claim.

RECOMMENDATION

It is recommended that the Committee: -

(a) consider the findings of the Annual Certification Report 2016-17 submitted by the Council's external auditors; and

(b) comment on the findings as appropriate.

Appendix A: Annual Certification Report 2016-17

Background Papers: None

Reference Papers: Statement of responsibilities of grant-paying bodies, authorities, Public Sector Audit Appointments (PSAA) and appointed auditors in relation to claims and returns – issued by PSAA

Enquiries:

For further information on this report please contact Elaine Hammell. (Ext 4344)

Certification of claims and returns annual report 2016-17

Fareham Borough Council

December 2017

Ernst & Young LLP

Building a better working world

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The Members of the Audit and Governance Committee
Fareham Borough Council
Civic Office
Civic Way
Fareham
Hampshire
PO16 7AZ

11 December 2017
Ref: HB1

Direct line: 07974 007332
Email: HThompson2@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016-17 Fareham Borough Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Fareham Borough Council's 2016-17 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2016-17, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this, we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £19,748,303. We met the submission deadline. We issued a qualification letter – details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

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A list of members' names is available for inspection at 1 More London Place, London

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 12 March 2018.

Yours faithfully

Helen Thompson
Associate Partner
Ernst & Young LLP
Enc

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£19,748,382
Amended/Not amended	Amended – subsidy reduced by £79
Qualification letter	Yes
Fee – 2016-17	£11,310
Fee – 2015-16	£15,959

Local government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims.

Extended and other testing identified errors which the Council amended. These had a small net impact on the claim. We also reported an underpayment in the qualification letter. The DWP can decide whether to ask the Council to carry our further work to quantify the error. However, this is unlikely as the claim has been settled on the basis of our qualification letter, unless new information relating to the claim is brought to their attention.

The issue we reported was as follows:

- In 2015-16 we identified claims which contained errors in assessing the claimant's earnings. Whilst no errors were identified in our initial sample for 2016-17, using our knowledge of the subsidy claim, we selected an additional 36 claims for testing. This represented the remaining cases within the headline cell that contained earnings.

- Testing of the additional sample identified one case where benefit had been underpaid as a result of the Council incorrectly assessing the claimant's earnings. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and was not, therefore, classified as an error for subsidy purposes.

- We were satisfied that this error did not impact subsidy claimed.

2. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the PSAA in March 2016 and are available on the PSAA's website (www.psaa.co.uk).

Our actual fee is in line with the indicative fee.

Claim or return	2016-17 Actual fee £	2016-17 Indicative fee £	2015-16 Actual fee £
Housing benefits subsidy claim	11,310	11,310	15,959

3. Looking forward

2017-18

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to PSAA by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2017-18 is £15,959. This was set by PSAA and is based on final 2015-16 certification fees.

Details of individual indicative fees are available at the following web address: https://www.psaa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/

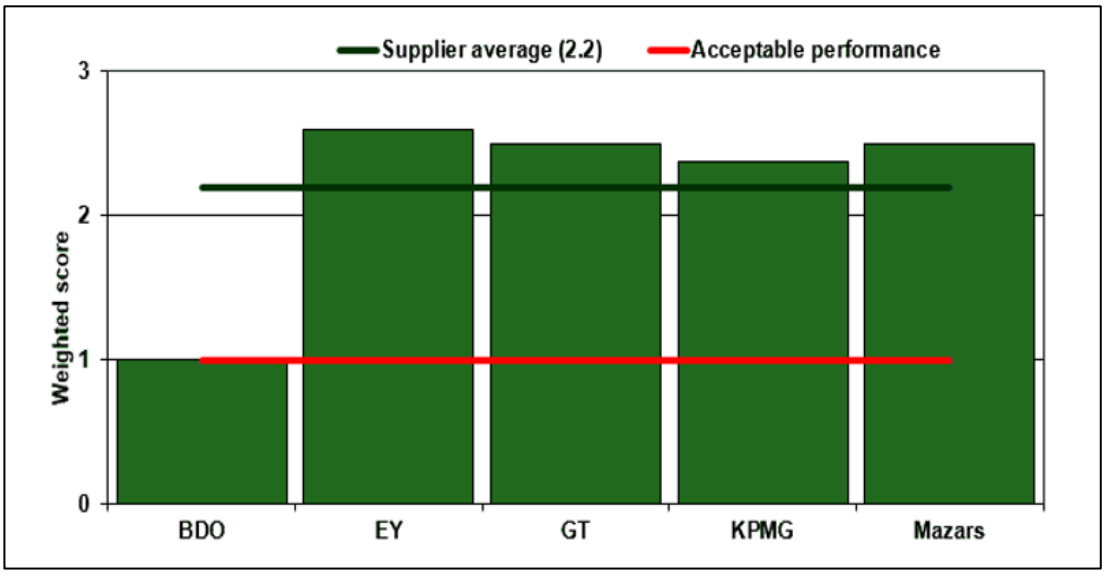
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director of Finance and Resources before seeking any such variation.

2018-19

From 2018-19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



As we also expect to be appointed by PSAA in December 2017 as your statutory auditor we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

EY | Assurance | Tax | Transactions | Advisory

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FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date **12 March 2018**

Report of: **Director of Finance and Resources**

Subject: **EXTERNAL AUDIT ANNUAL PLAN AND FEE**

SUMMARY

This report brings to members' attention the Audit Plan from the Council's external auditors, Ernst & Young.

The plan provides the Committee with a basis to review the proposed audit approach and scope of work for the 2017/18 audit (carried out in 2018/19) and to ensure that the work is in line with members' expectations.

The report also brings to members' attention the Planned Fee for the 2017/18 audit work received from Ernst and Young.

RECOMMENDATION

It is recommended that the Committee:-

(a) approves the 2017/18 Audit Plan, attached as Appendix A to this report; and

(b) approves the fees proposed for the External Audit of 2017/18 (paid in 2018/19).

Appendices:

Appendix A – Plan of Audit coverage of the year ending 31 March 18

Background Papers: None

Reference Papers: Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd.

Enquiries: For further information on this report please contact Elaine Hammell. (Ext 4344)

Fareham Borough Council

Audit planning report

Year ended 31 March 2018

February 2018

Building a better working world

Members of the Audit and Governance Committee

Fareham Borough Council
Civic Offices
Civic Way
Hampshire
PO16 7AZ

February 2018

Dear Audit and Governance Committee Members

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 12 March 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter

For and on behalf of Ernst & Young LLP

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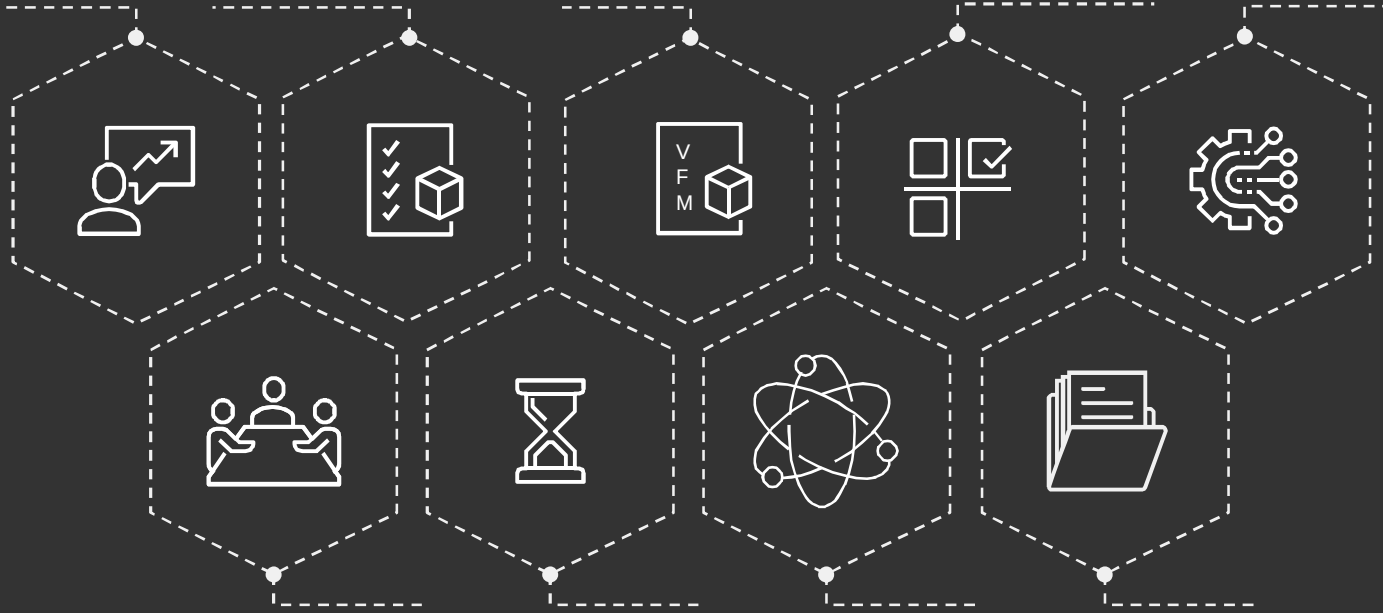


In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk).
The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.
The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Audit and Governance Committee and management of Fareham Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, and management of Fareham Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Fareham Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Overview of our 2017/18 audit strategy

Overview of our 2017/18 audit strategy

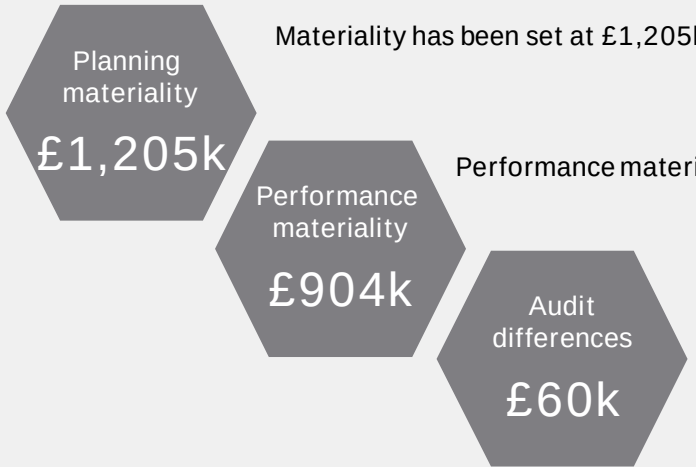
The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of management override	Fraud risk	No change in risk or focus.	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Risk of fraud in revenue recognition	Fraud risk	New risk identified this year.	Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Our judgement is the significant risk at the Council relates to the improper capitalisation of revenue expenditure.
Pension Liability Valuation	Inherent risk	No change in risk or focus.	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Council's pension fund asset is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Valuation of Land and Buildings	Inherent risk	No change in risk or focus.	The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
NDR Appeals Provision Valuation	Inherent risk	No change in risk or focus.	The Non Domestic Rates Appeals Provision is a material balance in the financial statements which requires a number of assumptions and judgements. In previous years we have identified errors above our audit differences threshold.

Overview of our 2017/18 audit strategy

Materiality



Materiality has been set at £1,205k, which represents 2% of the prior years gross expenditure on provision of services.

Performance materiality has been set at £904k, which represents 75% of materiality.

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement housing revenue account and collection fund) greater than £60k. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Governance Committee.

Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

§ Our audit opinion on whether the financial statements of Fareham Borough Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and

§ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

§ Strategic, operational and financial risks relevant to the financial statements;
§ Developments in financial reporting and auditing standards;
§ The quality of systems and processes;
§ Changes in the business and regulatory environment; and,
§ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Audit team changes

Key changes to our team.

Kevin Suter, Partner in Charge

Ø Kevin takes over from Helen Thompson as the Engagement Lead.
Ø Kevin has significant public sector audit experience of over 20 years, with a portfolio of Local Authorities, Local Government Pension Fund and National Park Authority audits.

Becky Gray, Assistant Manager

Ø Becky is an Assistant Manager within the UK&I Assurance practice, with over five years experience of LG audits. She will be the key contact for your Finance Team.
Ø She is a member of The Institute of Chartered Accountants in England and Wales (ICAEW).

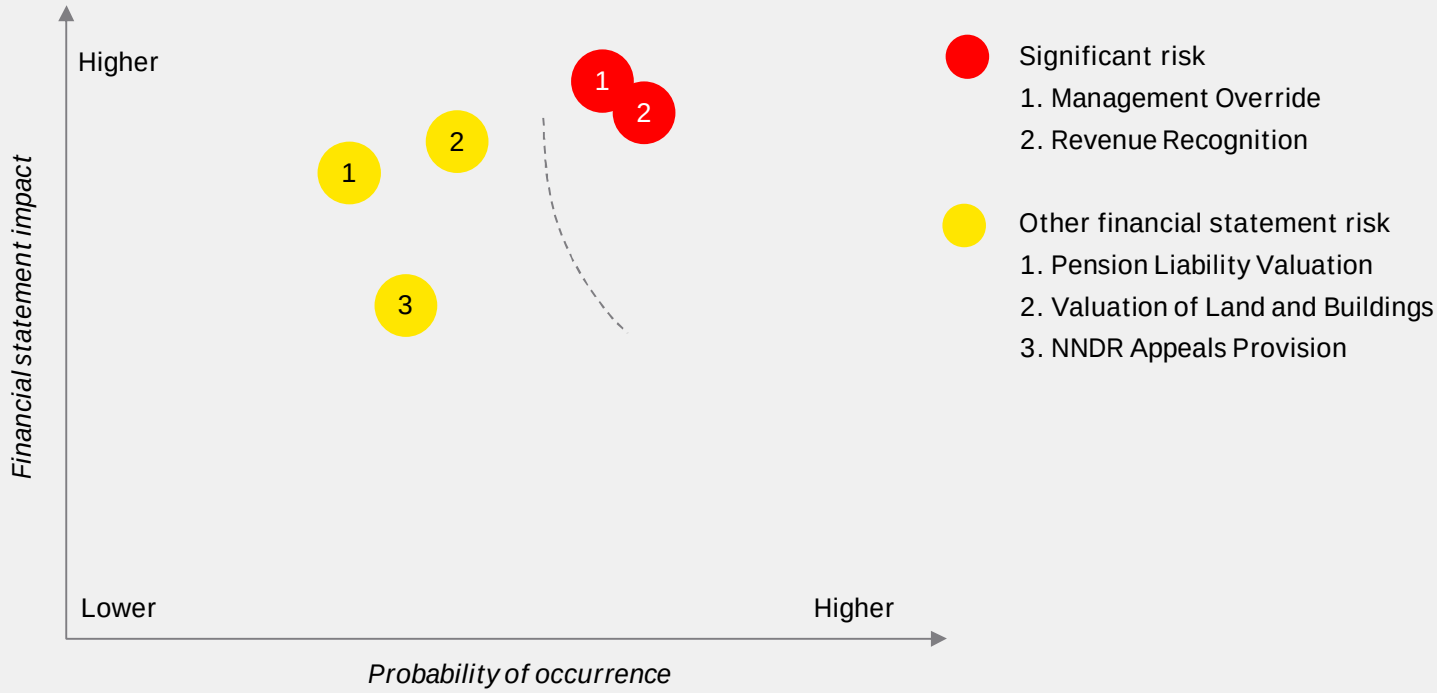
02 Audit risks

Risk assessment

Risk assessment

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2016/17 Annual Report and Accounts and combined it with our understanding of the sector to identify key risks that impact our audit.

The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:



Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Management Override of Control

Financial statement impact

Misstatements that occur in relation to the risk of fraud by management override could affect the income and expenditure accounts, alongside significant balance sheet accounts where key estimates are processed.

What is the risk?

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

We will:

- test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- review accounting estimates for evidence of management bias, and
- evaluating the business rationale for significant unusual transactions.

Our response to significant risks

We have set out the significant risks identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue recognition	What is the risk?	What will we do?
Financial statement impact Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. We are focussing our testing on capital additions (£14,290m in 2016/17).	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund	Our approach will focus on: ► Journals testing – we will use our testing of Journals to identify transactions moved from revenue to capital. ► For significant additions we will examine invoices, capital expenditure authorisations, leases and other data that support these additions. We review the sample selected against the definition of capital expenditure in IAS 16.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
Pension Liability Valuation The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £58,271k. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We will: • Liaise with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Hampshire County Council. • Assess the work of the Pension Fund actuary (AON Hewitt) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and • Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
Valuation of Land and Buildings The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.	We will: • Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuer; • Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. • Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; and • Test accounting entries have been correctly processed in the financial statements.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
NNDR Appeals Provision The Non Domestic Rates Appeals Provision is a material balance in the financial statements which requires a number of assumptions and judgements. In addition, in previous years we have identified errors above our audit differences threshold.	We will: • Review the calculation of the provision for accuracy. • Consider the work performed by the Council expert, Analyse Local and understand the assumptions used in their calculation. • Perform post year-end review of appeals settled to determine whether the revised rateable value and effective date of the appeal are in line with the provision. • Ensure the Council has amended the provision for any Business Rate reliefs awarded.

03 Value for Money Risks

Value for Money

Background

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

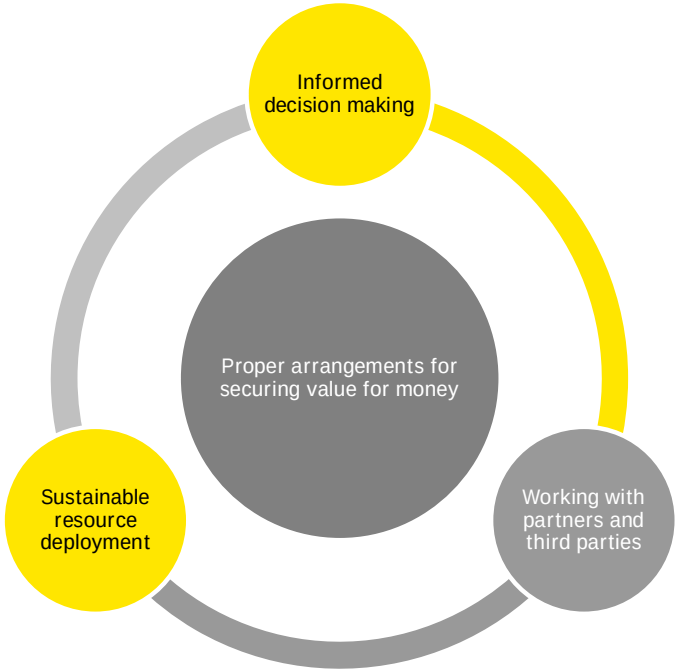
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At the time of our planning, this has resulted in the identification of no significant risks relevant to our value for money conclusion.

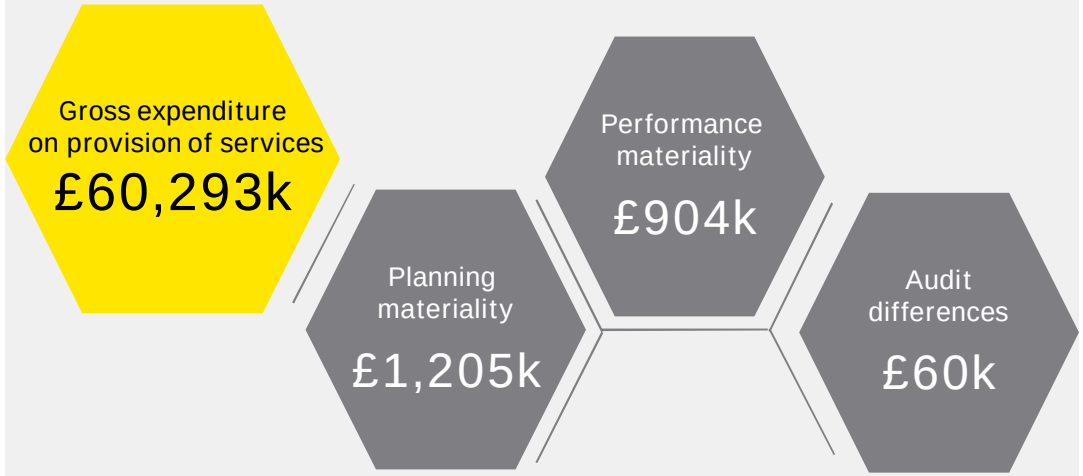


04 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £1,205k. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit and Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £904k which represents 75% of planning materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Governance Committee, or are important from a qualitative perspective.

05 Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards
- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code
- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO [delete if not applicable]

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will regularly meet with the Head of Finance and Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

06 Audit team

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The area where either EY or third party specialists provide input for the current year audit is:

Area	Specialists
Pensions disclosure	EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

07 Audit timeline

Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	October		
	November		
Walkthrough of key systems and processes	December		
	January		
	February		
Testing of routine processes and controls Interim audit testing	March	Audit and Governance Committee	Audit Planning Report Interim Audit Update
	April		
	May		
	June		
Year end audit Audit Completion procedures	July	Audit and Governance Committee	Audit Results Report Audit opinions and completion certificates
	Autumn	Audit and Governance Committee	Annual Audit Letter

Faster Close – Key Messages

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements:

- The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include internal quality assurance arrangements, late working papers, and slippage in delivering data for analytics work in format and to the timescales required.
- As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within the same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period; and
- complete and prompt responses to audit questions and information requests.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may include postponing your audit until later in the summer and redeploying the team to other work to meet deadlines elsewhere.

Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Council we will:

- Work with the Council to engage early to facilitate early substantive testing where appropriate.
- Provide an early review on the Councils streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- Work with the Council to implement EY Client Portal, this will:
    - Streamline our audit requests through a reduction of emails and improved means of communication;
    - Provide on –demand visibility into the status of audit requests and the overall audit status;
    - Reduce risk of duplicate requests; and
    - Provide better security of sensitive data.
- Agree the team and timing of each element of our work with you.
- Agree the supporting working papers that we require to complete our audit.

08 Independence

Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence. ► Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]	► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit services provided and the fees charged in relation thereto; ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ► Written confirmation that all covered persons are independent; ► Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ► Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Kevin Suter, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, we have not undertaken any non-audit work, therefore no additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017

09 Appendices

Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£	£	£
Total Fee – Code work (1)	48,230	48,230	49,730
Total audit	48,230	48,230	49,730
Other non-audit services not covered above (Housing Benefits) (2)	15,959	15,959	11,310
Total other non-audit services	15,959	15,959	11,310
Total fees	64,189	64,189	61,040

All fees exclude VAT

Note:

(1) the 16/17 Code work includes a scale fee variation of £1,500 for procedures performed by the EY Real Estates Team on the valuation of Daedalus.

(2) the Housing Benefit Certification Fee has increased compared to the prior year. This fee is set by the PSAA based on the amount of work and errors identified in 2015/16. Should comparably less errors be identified and less work be completed in 2017/18 than in 2015/16, we will consider refunding some of this fee.

The agreed fee presented is based on the following assumptions:

► Officers meeting the agreed timetable of deliverables;

► Our accounts opinion and value for money conclusion being unqualified;

► Appropriate quality of documentation is provided by the Council; and

► The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit and Governance Committee.

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Audit results report

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	Audit results report
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management	Audit results report
Fraud	• Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • A discussion of any other matters related to fraud	Audit results report
Related parties	• Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Audit results report

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence	Audit Planning Report Audit Results Report
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures	Audit results report
Consideration of laws and regulations	• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Enquiry of the Regulation, Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Regulation, Audit and Committee may be aware of	Audit results report
Internal controls	• Significant deficiencies in internal controls identified during the audit	Audit results report

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	• Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report	Audit results report
Fee Reporting	• Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work	Audit planning report Audit results report
Certification work	Summary of certification work undertaken	Certification report

Appendix C

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards	• Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. • Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. • Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. • Concluding on the appropriateness of management's use of the going concern basis of accounting. • Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. • Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit and Governance Committee reporting appropriately addresses matters communicated by us to the Audit and Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and • Maintaining auditor independence.

Appendix C

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date: **12 March 2018**

Report of: **Director of Finance and Resources**

Subject: **TREASURY MANAGEMENT POLICY AND STRATEGY**

SUMMARY

Regulations require the Council to prepare and formally approve both an annual Treasury Management Strategy and Prudential Indicators. The document for 2018/19 is attached as Appendix A and was endorsed by the Executive on 5 February 2018 and submitted to Council for approval on 23 February 2018.

CIPFA published new versions of its Treasury Management Code of Practice and the Prudential Code in late December 2017. Due to the late publications, CIPFA recognises that changes may not be fully implemented until 2019/20 due to the lead -in time to produce the strategy. Because of this and because there are no changes to the format or content of the strategy, this strategy is based on the 2011 version of both Codes.

Main highlights in the Strategy are:

Capital Issues

i) The level of capital expenditure estimated for 2017/18 is £24.7 million. We currently estimate that £13.4 million of this will be met by new borrowing.

ii) There will be an increase in the amount of council tax contributing to the cost of capital expenditure, due to new borrowing in 2017/18 and 2018/19.

Treasury Management Issues

iii) The strategy includes a new section on operational exposures to UK banks with low credit ratings and assets, such as through current accounts,

collection accounts and merchant acquiring services. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £4m per bank.

RECOMMENDATION

It is recommended that the Committee note the Treasury Management Strategy and Prudential Indicators for 2018/19, attached as Appendix A to this report.

Background Papers: None

Reference Papers: None

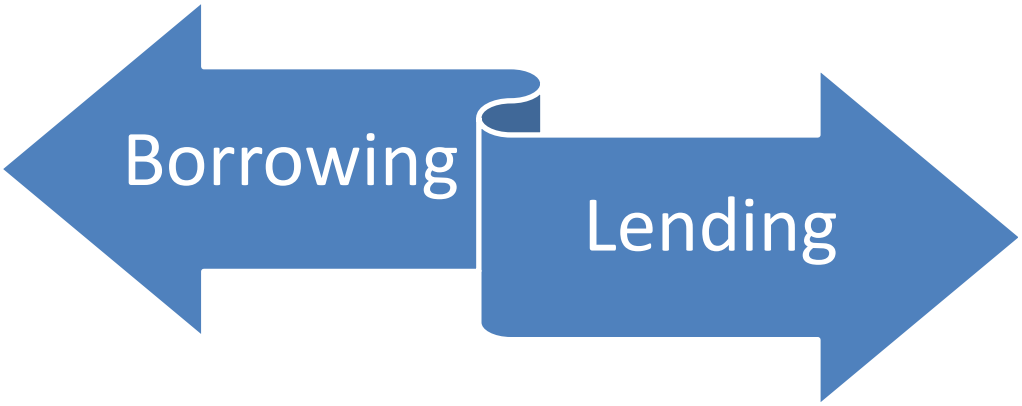
Enquiries:

For further information on this report please contact Caroline Hancock. (Ext 4589)

APPENDIX A

FAREHAM
BOROUGH COUNCIL

TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL INDICATORS 2018/19



INTRODUCTION

WHAT IS TREASURY MANAGEMENT?

1. Treasury Management is defined as:

> *The management of the organisation's cash flows, its banking, money market and capital market transactions;*
>
> *the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.*

2. The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. There are two aspects to the treasury management service:

   a) To ensure the cash flow is adequately planned, with **cash being available when it is needed**. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

   b) To ensure the cash flow meets the Council's **capital plans**. These capital plans provide a guide to the **borrowing need** of the Council. Essentially this is the longer term cash flow planning to ensure that the Council can meet its capital spending requirements. The management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CONTENT OF THE ANNUAL TREASURY MANAGEMENT STRATEGY

3. This strategy sets out the expected approach to treasury management activities for 2018/19 in light of the anticipated financial climate. It covers two main areas:

Capital Issues	• Capital Expenditure and Financing • Prudential Indicators • Minimum Revenue Provision (MRP) policy
Treasury Management Issues	• Investment Strategy • Borrowing Strategy • Treasury Indicators • Prospects for Interest Rates

4. The content of the Strategy is designed to cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and the DCLG Investment Guidance.

5. CIPFA published new versions of its Treasury Management Code of Practice and the Prudential Code in late December 2017. Due to the late publications, CIPFA recognises that changes may not be fully implemented until 2019/20 due to the lead -in time to produce the strategy. Because of this and because there are no changes to the format or content of the strategy, this strategy is based on the 2011 version of both Codes.

REPORTING REQUIREMENTS

6. The Council receives and approves three main reports each year in relation to Treasury Management, which incorporate a variety of polices, estimates and actuals. The three reports are:

7. The Executive Commmittee is responsible for the implementation and monitoring of these reports whilst the Audit and Governance Committee is responsible for the effective scrutiny of the treasury management strategy and policies.

TRAINING

8. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.

9. Treasury management officers regularly attend training courses, seminars and conferences provided by the Council's treasury management advisers and CIPFA.

USE OF TREASURY MANAGEMENT CONSULTANTS

10. The Council has appointed Arlingclose as treasury management advisers and receives specific advice on investment, debt and capital finance issues.

11. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

12. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and

subjected to regular review.

CAPITAL ISSUES

CAPITAL EXPENDITURE AND FINANCING

13. The objectives of the CIPFA Prudential Code are to ensure that capital investment plans are **affordable**, **prudent** and **sustainable**, and that treasury decisions are taken in accordance with good professional practice.

PRUDENTIAL INDICATORS

14. The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the following **four** prudential indicators, which are designed to assist member's overview and confirm capital expenditure plans.

1) Level of Planned Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans and shows how these plans are being financed by capital or revenue resources.

Capital Expenditure and Financing	2017/18 Revised £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000	2021/22 Estimate £'000
Public Protection	0	0	0	0	329
Streetscene	130	570	0	0	224
Leisure and Community	1,115	316	0	0	527
Housing	904	840	3,330	480	501
Planning and Development	938	30	0	0	0
Policy and Resources	19,015	10,787	8,550	3,700	490
Total General Fund	**22,102**	**12,543**	**11,880**	**4,180**	**2,071**
HRA	**2,584**	**5,498**	**4,283**	**4,334**	**3,327**
Total Expenditure	**24,686**	**18,041**	**16,163**	**8,514**	**5,398**
Capital Receipts	294	856	552	3,765	252
Capital Contributions	5,946	2,031	250	250	474
Capital Reserves	3,600	6,017	3,961	3,999	3,853
Revenue	1,205	1,326	520	500	819
Borrowing	13,641	7,811	10,880	0	0
Total Financing	**24,686**	**18,041**	**16,163**	**8,514**	**5,398**

2) The Council's Borrowing Need (Capital Financing Requirement)

This prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure financed by borrowing will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing in line with the asset's life.

The CFR projections are as follows:

£'000	2017/18 Revised £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
General Fund	37,356	44,546	54,588	53,530
HRA	50,911	50,681	50,451	50,221
Total CFR	**88,267**	**95,227**	**105,039**	**103,751**

3) Financing Costs as % of Net Revenue Stream

This is an indicator of affordability and identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

The positive percentage for the Housing Revenue Account (HRA) reflects the net borrowing costs for the HRA settlement.

	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
General Fund	0%	3%	6%	8%
HRA	14%	14%	14%	14%
Total	**8%**	**10%**	**11%**	**12%**

4) Incremental Impact of Capital Decisions on Council Tax and Housing Rents

This indicator shows the impact of capital decisions on council tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the proposed capital programme to be approved during this budget cycle.

	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Council Tax Band D	-£0.41	£1.22	£1.01	-£0.16
Weekly Housing Rent Levels	-£0.09	£0.04	£0.04	£0.04

HOUSING REVENUE ACCOUNT (HRA) RATIOS

15. As a result of the HRA Reforms in 2012, the Council moved from a subsidy system to self-financing and was required to take on **£49.3 million** of debt. The table below shows additional local indicators relating to the HRA in respect of this debt.

	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
HRA Debt £'000	49,268	49,268	49,268	49,268
HRA Revenues £'000	11,250	11,140	10,840	11,120
Number of HRA Dwellings	2,405	2,400	2,408	2,398
Ratio of Debt to Revenues %	4.38:1	4.42:1	4.55:1	4.43:1
Debt per Dwelling £	£20,846	£20,528	£20,460	£20,545

MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

16. Where the Council finances capital expenditure by debt, it must **put aside resources to repay that debt** in later years. The amount charged to the revenue budget for the repayment of debt is known as **Minimum Revenue Provision (MRP)**.

17. The Council is required to set an annual policy on the way it calculates the prudent provision for the repayment of General Fund borrowing. The main policy adopted is that MRP will be determined by charging the expenditure over the **expected useful life** of the relevant assets on an **annuity basis** starting in the year after the asset becomes operational. This calculation will be reviewed on a case by case basis depending on the circumstances and with a view to minimising the impact on the council tax payer.

18. Where expenditure is on an asset which will be held on a short-term basis (up to 5 years), no MRP will be charged. However, the capital receipt generated by the sale of the asset will be used to repay the debt instead.

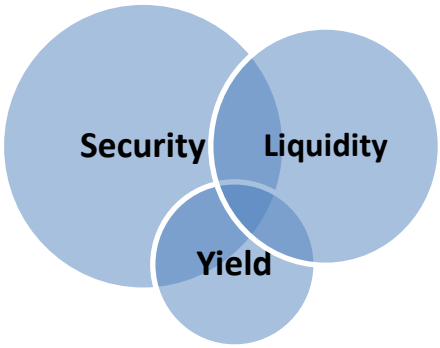
19. No MRP will be charged in respect of assets held within the HRA, in accordance with DCLG Guidance and capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20.

TREASURY MANAGEMENT ISSUES

INVESTMENTS

Investment Strategy

20. Both the CIPFA Code and DCLG Guidance require the Council to invest its funds prudently, and to have regard to the **security** and **liquidity** of its investments before seeking the highest rate of return, or **yield**.



21. The Council's objective when investing money is to strike an appropriate balance between **risk and return**, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

22. If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to **negative interest rates** on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

23. Given the increasing risk and very low returns from short-term unsecured bank investments, the Council where practical and reasonable, aims to further diversify into more secure and/or higher yielding asset classes.

Approved Counterparties

24. The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Credit Rating	Banks Unsecured	Banks Secured	Government
UK Govt	n/a	n/a	£Unlimited 50 years
AAA	£2m 5 years	£4m 20 years	£4m 50 years
AA+	£2m 5 years	£4m 10 years	£4m 25 years
AA	£2m 4 years	£4m 5 years	£4m 15 years
AA-	£2m 3 years	£4m 4 years	£4m 10 years
A+	£2m 2 years	£4m 3 years	£2m 5 years
A	£2m 13 months	£4m 2 years	£2m 5 years
A-	£2m 6 months	£4m 13 months	£2m 5 years

BBB+	£1m 100 days	£2m 6 months	£1m 2 years
None	£1m 6 months	n/a	£4m 25 years
Pooled Funds	£4m per fund		

25. Investment limits are set by reference to the lowest published **long-term credit rating** from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

26. Summary of counterparty types:

    a) **Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

    b) **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

    c) **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

    d) **Pooled Funds:** Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

27. The Council may also invest its surplus funds in corporates (loans, bonds and commercial paper issued by companies other than banks) and registered providers (loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations), subject to meeting the minimum credit rating criteria and time limits recommended by the Council's treasury advisers.

Operational Bank Accounts

28. The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £4m per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk Assessment and Credit Ratings

29. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

30. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments

31. The Council understands that credit ratings are good, but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

32. The following **internal measures** are also in place:

- Investment decisions formally recorded and endorsed using a Counterparty Decision Document.
- Monthly officer reviews of the investment portfolio and quarterly reviews with the Chief Executive Officer.

Specified Investments

33. The CLG Guidance defines specified investments as those:

- denominated in pound sterling,

- **due to be repaid within 12 months** of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  a) the UK Government,
  b) a UK local authority, parish council or community council, or
  c) a body or investment scheme of **"high credit quality"**.

34. The Council defines "high credit quality" organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-specified Investments

35. Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to **long-term investments**, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and **schemes not meeting the definition on high credit quality**. Limits (per counterparty) on non-specified investments are shown in the table below.

	Cash limit
Total long-term investments	£4m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£2m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£2m
Total non-specified investments	£10m

Investment Limits

36. The Council's revenue reserves available to cover investment losses are forecast to be £16 million on 31st March 2018. In order to minimise risk, in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £4 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below.

	Cash limit
Any single organisation, except the UK Central Government	£4m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£4m per group
Any group of pooled funds under the same	£10m per manager

management	
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£4m per country
Unsecured investments with Building Societies	£2m in total
Money Market Funds	£20m in total

Liquidity Management

37. The Council uses a purpose-built cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium term financial plan and cash flow forecast.

Non-Treasury Investments

38. Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Council may also purchase property for investment purposes and may also make loans and investments for services purposes, for example as equity investments and loans to Council subsidiaries.

39. Such loans and investments will be subject to the Council's normal approval process for revenue and capital expenditure and need not comply with this treasury management strategy.

Investment Treasury Indicator and Limit

40. Total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity requirements and are based on the availability of funds after each year-end.

£M	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Principal sums invested > 364 days	10	10	10	10

BORROWING

Current Portfolio Position

41. The Council's treasury portfolio position at 31 March 2016, with forward projections are summarised below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement), highlighting any under or over borrowing.

£'000	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Debt at 1 April	41,835	51,835	59,635	70,435
Expected change in debt	10,000	7,800	10,800	0
Gross Debt at 31 March	**51,835**	**59,635**	**70,435**	**70,435**
Capital Financing Requirement (CFR)	**88,267**	**95,227**	**105,039**	**103,751**
Under/(Over) Borrowing	**36,432**	**35,592**	**34,604**	**33,316**
CFR for last, current and next 2 years	**311,909**	**332,649**	**336,012**	**341,860**

42. The Council is currently maintaining **an under-borrowed position**. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure.

43. Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years.

44. The Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view considers current commitments, existing plans and the proposals in the budget report.

Treasury Indicators: Limits to Borrowing Activity

45. The treasury indicators include two limits to borrowing activity:

    1) The **operational boundary** is based on the Council's estimate of the most likely (i.e. prudent but not worst case) scenario for external debt. This is the limit beyond which external borrowing is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

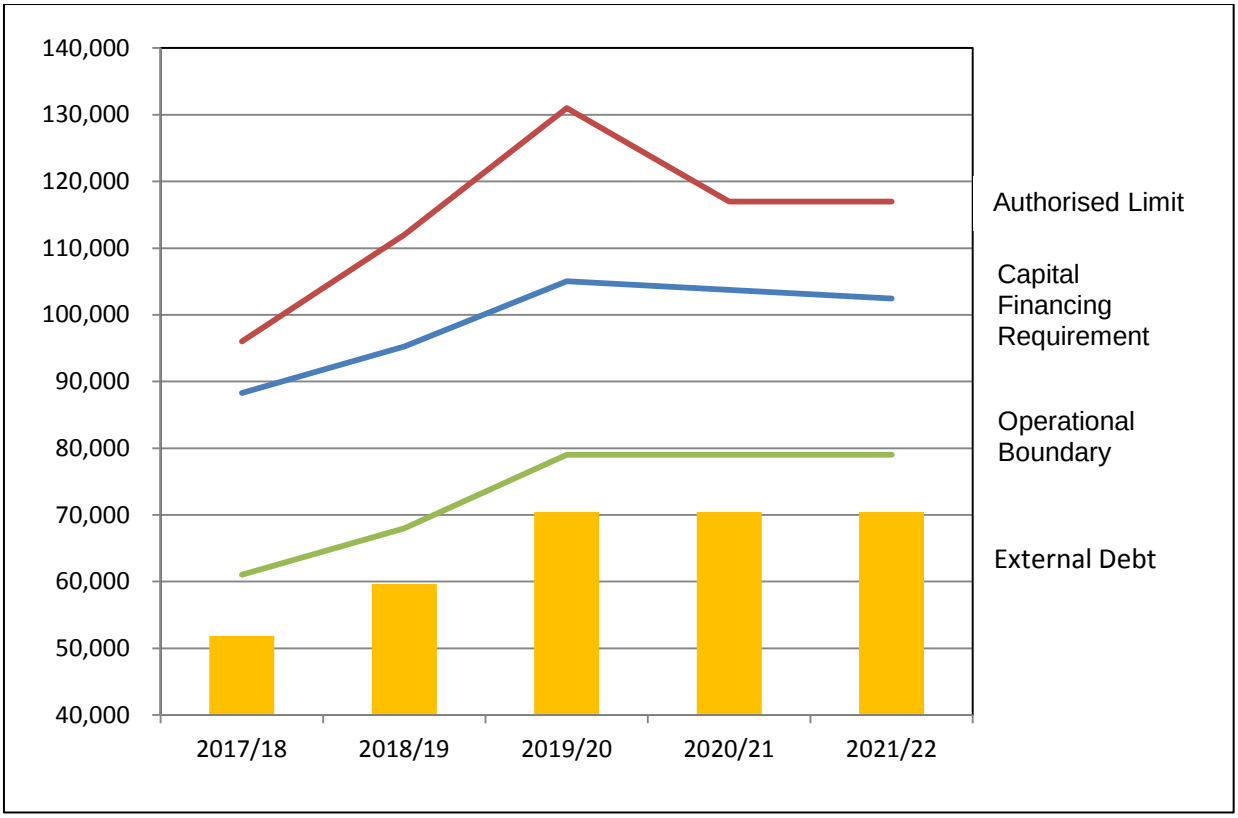
    2) The **authorised limit** is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

46. The limits are:

£'000	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Operational Boundary				
Borrowing	56,000	63,000	74,000	74,000
Other long-term liabilities	5,000	5,000	5,000	5,000

Total	**61,000**	**68,000**	**79,000**	**79,000**
Authorised Limit				
Borrowing	89,000	105,000	124,000	110,000
Other long-term liabilities	7,000	7,000	7,000	7,000
Total	**96,000**	**112,000**	**131,000**	**117,000**

47. The graph below shows the projections for the CFR and borrowing limits:



48. Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

£'000	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
HRA Debt Cap	56,851	56,851	56,851	56,851
HRA CFR	50,911	50,681	50,451	50,221
HRA Headroom	**5,940**	**6,170**	**6,400**	**6,630**

Borrowing Strategy

49. The Council's main objective when borrowing money is to strike an appropriately low risk balance between **securing low interest costs** and achieving **certainty of those costs** over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

50. The Council has been in a debt free position for the General Fund for many years mainly due to having sufficient capital reserves to meet the Council's capital programme. However, this position will change over the coming years as borrowing is required for large capital schemes at Daedalus and new property investment opportunities.

51. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short term to either **use internal resources**, or to **borrow short-term** loans instead.

52. By doing so, the Council can reduce net borrowing costs (despite foregone investment income) and **reduce overall treasury risk**. The benefits of internal borrowing or short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.

53. Our treasury advisers will assist the Council with this **'cost of carry'** and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

54. Alternatively, the Council may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

55. In addition, the Council may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages.

Sources of Borrowing

56. The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body.
- Any institution approved for investments, including other local authorities.
- Any other bank or building society authorised to operate in the UK.
- UK public and private sector pension funds (expect the Hampshire County Council Pension Fund).
- Capital market bond investors.
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

57. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Operating and finance leases
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

58. The Council has previously raised all of its long-term borrowing from the PWLB but it will investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

Borrowing in Advance of Need

59. The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

60. The total amount borrowed will not exceed the authorised borrowing limit of £112 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure

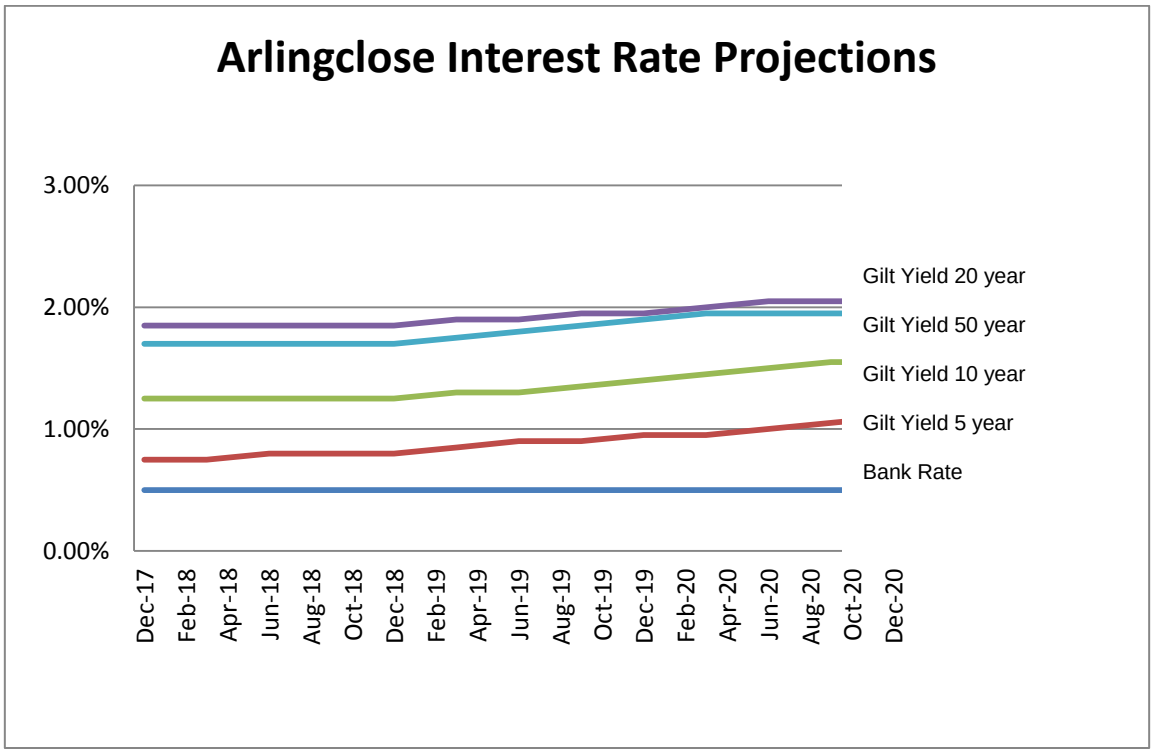
Debt Rescheduling

61. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

PROSPECTS FOR INTEREST RATES

62. The Council's treasury management advisers assist the Council to formulate a view on interest rates. The latest detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.

63. The following graph and commentary gives the Arlingclose's central view on interest rates.



64. Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19**,** following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

65. Future expectations for higher short-term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.

66. The risks to Arlingclose's forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

TREASURY MANAGEMENT LIMITS ON ACTIVITY

67. There are **three** debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs and improve performance. The indicators are:

- Upper limits on **variable interest rate exposure**. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on **fixed interest rate exposure**. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- **Maturity structure of borrowing**. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and

are required for upper and lower limits.

68. The treasury indicators and limits are:

Upper limits on interest rate exposures	**2017/18**	**2018/19**	**2019/20**	**2020/21**
	%	**%**	**%**	%
- Upper limit on variable interest rate exposures	25	25	25	25
- Upper limit on fixed interest rate exposures	100	100	100	100
Maturity structure of borrowing		**Upper Limit**		
	%	**%**	**%**	%
- Loans maturing within 1 year	25	25	25	25
- Loans maturing within 1 - 2 years	25	25	25	25
- Loans maturing within 2 - 5 years	25	25	25	25
- Loans maturing within 5 - 10 years	50	50	50	50
- Loans maturing in over 10 years	100	100	100	100

Other Items

69. There are many additional items that the Council is obliged by CIPFA or DCLG to include in its Treasury Management Strategy.

70. **Policy on Use of Financial Derivatives:** The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

71. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

72. **Policy on Apportioning Interest to the HRA:** On 28 March 2012, the Council borrowed £40 million from the Public Works Loan Board (PWLB) to buy itself out the of the HRA subsidy System. The monies were borrowed by the General Fund on behalf of the HRA. The interest on these loans is charged to the HRA on a half-yearly basis at the rate charged by PWLB. A further £9.268 million was lent by the General Fund to the HRA to complete the buyout. Interest on this element is charged at the average weighted rate of the PWLB loans.

73. The unfunded HRA capital financing requirement is also charged to the HRA at the average weighted rate of the PWLB loans.

74. The General Fund credits the HRA with interest earned on HRA credit balances calculated on the monthly movement in reserve balances and applied at year end. The rate used is the weighted interest rate on General Fund investments and cash balances.

75. **Financial Implications:** The budget for investment income in 2018/19 for the General Fund is £459,900 and the HRA is £65,600 and the budget for debt interest paid in 2018/19 is £1,794,900 for the HRA. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

ANNEX A

ARLINGCLOSE ECONOMIC AND INTEREST RATE FORECAST NOVEMBER 2017

Economic Background

The major external influence on the Authority's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the Bank of England's Monetary Policy Committee raised official interest rates to 0.5% in November 2017.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

Credit Outlook

High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Authority; returns from cash deposits however remain very low.

Underlying assumptions:

- In a 7-2 vote, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.

- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2.

- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.

- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long-term growth may prompt deterioration in the UK's fiscal position.

- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.

- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date: **12 March 2018**

Report of: **Director of Finance and Resources**

Subject: **RISK MANAGEMENT MONITORING REPORT**

SUMMARY

In March 2017, the Audit and Governance Committee approved a new Risk Management Policy based around a set of principles rather than a formal framework of registers. The policy requires evidence of risk management to be compiled every six months as proof that the policy is effective. This is the second six-monthly report under the new policy.

RECOMMENDATION

It is recommended that the Committee review the report as a source of evidence that the current Risk Management Policy is operating in practice.

INTRODUCTION

1. In March 2017, the Audit and Governance Committee approved a new Risk Management Policy based around a set of principles rather than a formal framework of registers. Under the new process, discussions are held with managers to gather evidence that the new policy is being implemented. In particular the policy would be considered to be effective if managers are able to cite examples of:

    - What their top risks are and any new or changes in risks and opportunities that have occurred in the year
    - Actions that have been taken in the year to mitigate risks
    - Incidents that have occurred and actions taken to manage the incident and prevent a repeat
    - Risks and solutions shared with other services in the Council or discussed with Council experts in that subject.

2. This report summarises the evidence gathered from the round of discussions held during December 2017 and January 2018.

MANAGERS COVERED BY THIS REPORT

3. Discussions are held every 6 months with half of the Heads of Service in the Council, so each manager is interviewed once a year. The Heads of Service covered in the 2 sets of interviews each year are listed in the table below, which highlights those services covered by this report. This will therefore affect which risk topics feature in the report.

Managers Interviewed Last report	Managers Interviewed for THIS report
	Head of Planning Strategy & Regeneration (CB)
Head of Development Management (LS)	Head of Environmental Health (IR)
Head of Building Control (JS)	Head of Street Scene (MB)
Head of Parking and Enforcement (KW)	Head of Leisure and Corporate Services (LA)
Head of Housing and Benefits (CN)	Head of Property Services (GH & managers)
Head of Finance and Audit (EH)	Head of Democratic Services (LU)
Head of HR and ICT (SR)	Head of Coastal Partnership (LC & MH)
	Welborne Strategic Lead (SW)

4. It should be noted that there was a corporate restructure in November 2017 so some manager's responsibilities will have changed before their interview. However, we have tried to also cover past responsibilities in the discussions.

STRUCTURE OF THE EVIDENCE GATHERED

5. Detailed notes were taken of each discussion. The topics of the discussion are listed in Appendix D. Examples were then taken from the discussions for use to demonstrate that risk management activity is happening. These are summarised in the appendices using 3 evidence themes of:

- Appendix A - New actions taken *anticipating* risks or opportunities
- Appendix B - New actions taken *reacting* to risks or incidents
- Appendix C - Risks where action is *still needed*

APPENDICES

Appendix A: Examples of New Actions Taken ANTICIPATING Risks or Opportunities

Appendix B: Examples of Actions Taken REACTING to Risks or Incidents

Appendix C: Risks noted where further actions are still needed

Appendix D: Detailed List of Risks and Actions covered in the Manager Discussions

Background Papers: None

Reference Papers:

Report to Audit and Governance Committee on 13 March 2017 on the Revised Risk Management Policy

CIPFA / SOLACE - Delivering Good Governance in Local Government Framework April 2016 Edition

Enquiries:

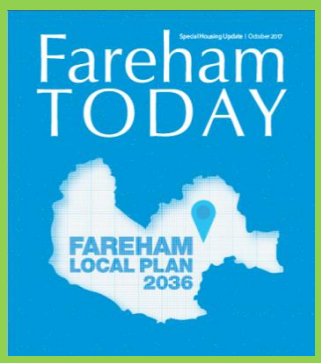
For further information on this report please contact Elaine Hammell. (Ext 4344)

Appendix A – Examples of new actions taken ANTICIPATING risks or opportunities

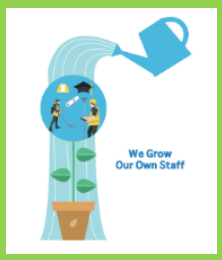
Risk or Opportunity	Actions taken
Welborne Delivery Strategy The Council has produced a Development Sites and Policies Plan and the Welborne Plan to ensure that the Council has an up to date housing supply consistent with the Core Strategy and the revised PUSH South Hampshire Strategy 2012. However, delays had been occurring with the delivery of the Welborne Plan due to planning applications not being forthcoming from the site promoters for the 2 majority land owners. In February 2016 options were therefore considered by the Executive Committee which could secure the development of the Welborne Area. 	**Corporate –** Member approval given to implement a Welborne Delivery Strategy involving the procurement of a development partner, and the use of the Council's Compulsory Purchase Order powers. **Corporate** – Financial Reserves released to support the Delivery Strategy, including the engagement of specialist resources. **Property Services** – Successful acquisition of 3 residential properties within the Welborne area. Management of the properties set up through a letting agent, resulting in an income stream to the Council whilst they are in our ownership. **Welborne Planning** – Successful application to achieve Garden Village status for the development which will attract future funding sources. **Corporate** – Cross discipline Strategic Group and Procurement Groups set up. **Welborne Planning** – Dialogue maintained with the principal land owners and their site promoters. **Welborne Planning** – Soft market testing undertaken in 2016 to test the development industry's appetite to deliver Welborne. **Welborne Planning** – A Prior Information Notice was published in January 2017 notifying the Council's intention to start a formal tender process to secure an experienced Delivery Partner for Welborne. This gave rise to 6 formal submissions from which 4 potential bidders were selected to proceed to the next stage of the public procurement process. **Other** – Litigation action between one set of landowners resulted in the land being put up for sale where it was purchased by the other main landowner. **Welborne Planning** – Assurances sought from the new majority land owner, which included their proposals for working with housing delivery partners to progress the development of the site, should the delivery strategy be terminated. A planning application has now been received from the majority land owner.
Death of a Senior Royal FBC has several civic duties to perform should the queen pass away. These include making the verbal public declaration, organising a church service and the book of condolences. Arrangements need to be made now so that we are ready when the time comes.	**Democratic Services** – Hampshire wide protocol is being developed in liaison with the Lord-Lieutenant of Hampshire. Fareham Borough Council is completing a list of actions to ensure we can deliver the protocol.
Master Developer Relationship	**Welborne Planning** – Positive communications being

Risk or Opportunity	Actions taken
The majority land owner and Master Developer for the Welborne Garden Village has submitted a planning application which is currently undergoing determination. The determination process seeks to achieve an application which delivers the requirements of the Welborne Plan. However, there is a risk that negotiations weaken the collaborative working relationship with the Master Developer and a positive determination is either not reached or does not deliver the scheme FBC want. (NB Also covered in last report as a development management risk)	maintained by the director and the Welborne Strategic Lead by meeting monthly with the Master Developer's Senior team; consisting of the new managing director and 3 other directors. This has led to the Master Developer agreeing to share the viability model behind the application. **Development Management** – Regular meetings and correspondence being held with the Master Developer and the Technical Planning teams. **Welborne Planning** – A national reputable company commissioned to assess the viability of the application against the required infrastructure in the Welborne Plan, and to advise on where there is flexibility to keep the proposition profitable for the Master Developer. **Welborne Planning** – HCA capacity funding to be used to commission a Place making Strategy to support the Local Planning Authority's role in assessing the proposals put forward by the Master Developer. **Welborne Planning** – Special meeting of the planning committee will be arranged and member briefings are being delivered to help prepare them for the determination. **Corporate** – Professional advice being sought in relation to the legal parameters governing developers' contributions.
Understanding risks posed from landfill sites in a Harbour Area There are several historical landfill sites in the SCOPAC (Standing Conference on problems associated with the coastline) region which have previously been protected from the sea, but whose defences are now eroding and being threatened by sea level rises and greater surface flood risks. This could result in toxic chemicals from domestic waste leaching into the water courses, beaches and coastal waters. The Wicor West land fill site in the Fareham borough is one such site. The Council has responsibilities in relation to contaminated land.	**Coastal Partnership** – Regionally, the Coastal Partnership, on behalf of SCOPAC have been taking a national lead to carry out work to understand the risks of exposure of landfill sites near harbour areas and what impact mitigation actions could have. Funding has been secured from Local Levy (Regional Flood and Coastal Committee) to reimburse the partnership for the costs incurred for this work
Threats during an Election Count Contingency planning work identified the need to have a plan in place to deal with threats such as a terrorist attack, or a fire outbreak, during an election count at Ferneham Hall. 	**Corporate –** Contingency planning completed for preventing and reaction to a threat. **Corporate –** Arrangements now in place with alternative sites identified should Ferneham Hall become unusable. **Leisure Services** – Warning system set up for deployment during a count at Ferneham Hall, if needed. **Corporate Services –** Count supervisors briefed on the actions to be taken should the warning system be triggered. **Corporate Services –** IT equipment for managing the

Risk or Opportunity	Actions taken
	results is kept portable so can be deployed elsewhere.
Daedalus 100 The Princess Royal visited Daedalus in July 2017 as part of the Daedalus 100 celebrations which culminated in a public event at the Solent Airport in September. This had over 2,500 attendees with attractions including static aircraft displays, children's activities, fun fair and stalls. Both events therefore required project risk management to cover all the potential risks of failure, reputation damage and risks to personal health and safety.	**Corporate –** Regular internal meetings and briefings held to draw up and review the event plans and contingency arrangements. These also helped manage expectations of what was a deliverable event. Roles and responsibilities in the preparation and on the day made clear. External opinion sought where necessary e.g. airport manager controlled airport safety. **Corporate** – For the royal visit, implementation of the required actions as prescribed in the Security plan led by the Palace Office. **Environmental Health –** SAG meeting (Safety Advisory Group) set up to review the Daedalus 100 event plans in respect of arrangements to manage the Health and Safety risks of the events relating to each of the category 1 responders. A motorbike speed attempt was denied on safety grounds. **Corporate Services –** Managed the publicity for the event and managed relationships with users of Daedalus, including working jointly with the airport operators to resolve issues. **Leisure Services –** Risk assessments carried out for each event to mitigate risk of failure.
IFA2 The National Grid are planning a major new energy infrastructure project, known as IFA2 (Interconnexion France-Angleterre 2), linking the United Kingdom's electricity transmission network to France. The interconnector is made up of undersea cables running for more than 100 miles between the two countries which would connect at either end to a converter station. The link will help enhance the security, affordability and sustainability of energy supply to both countries. The converter station in the UK is proposed to be based at Daedalus in Stubbington. This therefore presents a potential threat of the electromagnetic field causing problems with the operation of the airport and the surrounding business parks, and a safety threat to their users. 	**Corporate** – Land to be leased to the National Grid under a legally binding agreement with on-going safeguards during and following the construction stage. **Property Services** – Safety and technical assessments commissioned from Arcadis and other experts to review how the interconnector can safely coexist with the airport and business parks. **Property Services** – Significant testing commissioned which included live trials at Solent Airport with aircraft taxiing over live buried cable, replicating the circumstances proposed for IFA2. **Property Services** – Development of a hazard log commissioned identifying 28 hazards from 36 causal factors. Risk mitigation measures are being identified and progress tracked until the hazards are confirmed as "closed". Technical working group from council and National Grid meeting monthly to monitor the actions **Development Control** – Support and advice given in relation to the planning application submissions. Specialist advisors employed to carry out the necessary scientific calculations and advise on what would be acceptable to the planning authority when determining the application. Appropriate planning conditions used for the consent. E.g. microtesla thresholds for the taxiways.

Risk or Opportunity	Actions taken
Extending the Local Plan to 2036 The Fareham Borough Local Plan consists of three parts and sets out the Planning Strategy for the Borough up to 2026. The Council has committed to a review of its Local Plan to reflect emerging housing and employment needs for a further 10 years until 2036. This process always involves the management of the inherent risk of not being accepted by the Planning Inspectorate or the public on a number of grounds such as: • The approach taken was not technically correct. • Consultation was not adequate • We have not taken into consideration issues raised by the public and key bodies e.g. highways authority.  	**Planning Strategy & Regeneration** – Entered into a commission with a company consisting of ex-inspectors to provide advice at an early stage that the approach is technically sound. We are aware that the inspector who reviewed the original plan has moved to this company. He therefore knows the local issues and can have a more open discussion in this role than he could as an inspector. **Planning Strategy & Regeneration** – Consultation on the Draft Local Plan carried out between 25/10/17 and 8/12/17. Around 2500 representations have been received which are being reviewed by officers. **Corporate Services** – Consultation plan drawn up and executed. This included six Community Action Team (CAT) meetings and 7 exhibitions which were attended by over 1,500 people. There was also a static display in Fareham Shopping Centre during most of the consultation. There were promotional banners and comments forms in Libraries in both Fareham and Gosport, as well as at Western Wards Leisure Centre and Fareham Leisure Centre. Nearly 12,000 copies of a special edition of Fareham Today focusing on the Draft Local Plan were produced. A promotional animation, interactive Story Map and demographics quiz were used to encourage participation online. The online comments form was tailored to allow people to comment directly on the proposed development site they were interested in, which is a new approach for Local Plan consultation forms. Paper copies were also made available. **Planning Strategy & Regeneration** – Site Plans posted out in more locations so are visible to people walking by. **Planning Strategy & Regeneration** – Meetings held or written responses provided to people raising concerns.
Daedalus Vision Conflicts with Local Plan The Council as a landowner for the Daedalus site will have different interests than the Council acting as the local planning authority.	**Corporate –** The draft new local plan has been more closely aligned to the landowner proposals. **Planning Strategy & Regeneration** – The team facilitate Property Services in formulating planning applications which are likely to be in accordance with our emerging Local Plan. Particular areas of advice relate to the types of usage proposed for the site (e.g. employment) and what transport routes are needed. **Planning Strategy & Regeneration** – The team review Daedalus proposals to confirm they do not conflict with other proposals for the borough e.g. M27 junction 10 access

Risk or Opportunity	Actions taken
Inappropriate Social Media comments not originating on FBC' s sites The council has procedures it can use to block people who are abusive or make inappropriate comments on the Council managed twitter, Facebook and websites. However, the action that can be taken is more difficult if the thread originates on another site, and that site changes its rules about what it allows.	**Corporate Services –** Have created a profanity policy for handling abusive or inappropriate social media comments not originating from FBC managed sites to make sure we are consistent in our approach.
Misuse of Community Grant Funding The Council contributes approximately £80,000 a year to community projects. Several checks are carried out on new applications as part of the approval process. Any successful applicant signs up to a community use agreement. All applicants receiving over £5,000 and 10% of those receiving less, are then required to send in evidence that the grant money has been used by an agreed date, and as it was intended.	**Leisure Services** – Monitoring of how the money is spent has been strengthened, including using a timeline in which the money is expected to have been spent. Unspent funds are requested to be paid back to the Council.
Evacuation of New Tenants Exercises (planned and unplanned) are regularly carried out to make sure that the Civic Offices can be quickly and safely evacuated in the event of a threat such as a fire. With several new tenants in the building, actions have been taken to make sure that evacuation procedures are still adequate.	**Property Services** – Exercises carried out which have included tenants. **Property Services** – All tenant services have staff trained up to be fire officers and to be able to use the evacuation chairs.
Improving Accuracy of the Electoral Register (Opportunity) The Returning Officer is legally required to maintain an accurate electoral register of persons eligible to vote in elections. Previously this involved employing multiple canvassers who oversee the completion of paper based forms in their electoral district. Opportunities are being found to improve the process and hence the data security and accuracy of the register. 	**Democratic Services** – Reduced the number of canvassers employed (62 to 15) who now operate throughout the year on wider areas. They are therefore the best skilled canvassers who provide the accurate results. **Democratic Services** – Paper forms have been replaced with tablets loaded with the mobile canvasser application. Therefore, data is directly input to the register increasing data security, and reducing the risk of error inputting data from the paper copy completed on the doorstep. The canvass also appears more professional which helps to improve the customer response rate. **Democratic Services** – Invitations to register completed by new residents are checked against the Department of Works and Pensions records of National Insurance Numbers and Dates of Birth to reduce bogus voters on the register. **Democratic Services** – Tailored approach taken for residential homes to reduce the risk of error and fraud by residents who may be vulnerable or suffering from dementia.

Risk or Opportunity	Actions taken
Decline in Market Trading The Council has seen a decline in take up amongst traders for the Fareham and Portchester Street weekly street markets. Customer satisfaction has also fallen for the monthly farmer markets due to poor trader turnout (4-8 stalls only attending from the 30 invited).	**Environmental Health** – Market Management Company engaged to manage the weekly markets, in place of an internal member of staff. This provides greater support for the individuals managing the market, greater knowledge of the local business and greater access to trader databases. This should help maintain the markets to the required standard, and gives the potential for growth in the number of traders. **Environmental Health** – Monthly farmer markets are no longer organised. Traders instead are encouraged to attend the weekly markets.
Sustaining and developing a team of employees available to deliver the partnership work The Eastern Solent Coastal Partnership in its current form has been in place since 2012. In order to continue its success, the partnership needs to attract and retain highly competent staff and grow them to become coastal experts. The partnership has now expanded to encompass 48 employees to deliver the work programme across the 3 strands of work: Strategy/Policy, Capital, Operations. With the team growing the managers need to effectively manage the stress and motivation of the workforce and consolidate the workload and priorities for the 3 strands from the 4 Councils.  	**Corporate** – A Client Manager Board is in place with representatives from the 4 councils, who agree the priorities and the budgets for the partnership. A golden thread has been developed to deliver these priorities starting from high level business plan objectives for the 3 teams, through to service plans setting time frames and resources to deliver each objective. These then feed through to individual team member work plans so everyone sees how they contribute to the bigger picture. Employees empowered by understanding how they contribute to the service delivery and able to feed-back how the process can be improved. **Coastal Partnership** – The employees developed and signed up to a Staff Charter in 2017 setting out they will operate in a "One team culture", what the shared values are and how priorities will be managed. **Coastal Partnership** – Tasks are prioritised and monitored in terms of those they WILL, TRY or HOPE to deliver. Monthly one to one reviews of task lists are carried out to make sure workload is deliverable and priorities focused. **Coastal Partnership** – Managers are reviewing the individual work plans to identify where skills can be developed and resilience built into the team; the aim is to offer a broad and varied workload and development opportunities to aid staff retention.
Administration of Sport Pitch Bookings Fareham has 24 football pitches; 9 cricket squares and 2 rugby pitches which can be booked by clubs and leagues for frequent or irregular use. Clubs are only charged for the days that they use which causes administrative problems and costs keeping on top of changed and cancelled bookings. The VAT that must be applied also changes depending on the number of consecutive bookings a club makes. This gives the risks of not maximising income, over-charging or incorrect VAT treatment. An internal audit in 2017 identified examples where	**Street Scene** – Vanguard intervention was carried out to review how this process was operating. **Street Scene –** A new system is being piloted for cricket pitches in which bookings are managed by Club/ League rather than by pitch. Clubs and Leagues either opt for: a) a block booking free from VAT but with no eligibility for refunds for cancelled games. or, b) a flexible booking which would incur a VAT charge. **Street Scene** – Temporary staff being trained so that they can provide cover for the main officer.

Risk or Opportunity	Actions taken
these risks had occurred.	
Improving Hedge Cutting Capacity and Service (Opportunity) The hedge and sports grounds maintenance contract has been outsourced since 2004 and the cost of this has been increasing especially as new grounds are adopted by the Council. There is also other work outsourced where the in-house team does not have the capacity to undertake extra or specialist work. The current main contractor has experienced difficulties in keeping up with the schedule of hedge cutting and this has resulted in an increase in customer complaints about overgrown vegetation.	**Street Scene –** Countryside and Parks and Open Spaces teams carried out a review of options for all outsourced work. **Street Scene –** Members approved option to set up in-house team and purchase equipment to take on the work currently outsourced. This change should be cost neutral but achieve an improved service in terms of responsiveness and flexibility.
Contaminated Land Management at Daedalus The Daedalus site is former Ministry of Defence land which comes with associated contaminated land risks such as the presence of ordnance, asbestos and radiation These require management by FBC as the landowner and when found need us to develop a management action plan to deal with the risk they pose in relation to the potential land usage. 	**Environmental Health** – Advice has been given to officers managing the site as to the requirements needed in relation to contaminated land. **Property Services** – Full survey underway of the Faraday Development plots. Management plans will then be developed which reflects the potential use of each plot. **Property Services** – As other plots come forward for development surveys have / will be requested as appropriate to obtain the planning permission. **Property Services** – Environment Agency consulted on issues as they arise and approval sought for the proposed plan of action. A full environmental permit is being sought from the EA which allows us to deal with contamination more rapidly when located. **Property Services** – Any contamination mitigations that have occurred are identified to purchasers of plots and reflected in the purchase price. **Property Services** – Documents put in place with tenants and their contractors detailing what the requirements are when they carry out any works on the site, as part of agreeing the land price. The developers take on the responsibility to make sure the site is clean and clear of risk. **Property Services** – Contractors are not allowed to work on the site without obtaining a licence from us, relevant to the work they are doing. They must therefore be competent and have the required method statements and testing in place to be able to deal with any problems that arise. **Property Services** – Consideration being given to the best way to maintain a comprehensive record of any treatment of contamination that has taken place (e.g. land terrier, GIS layer) which would be referred to in the future when there are changes of tenants / landowners to make sure future works do not undo the mitigations that have taken place **Property Services** – Clauses will be put in future tenant

Risk or Opportunity	Actions taken
	leases detailing what they can and can’t do on the land.

Appendix B – Examples of actions taken REACTING to risks or incidents

Risk or Opportunity	Actions taken
Failure of Coastal Defences at Hill Head Beach levels at Hill Head have fallen in recent years exposing the sea defences to additional and increased wave action. The coastal defences subsequently failed in December 2015 during a winter storm. These left users of the beach huts, the promenade and other properties vulnerable, along with a significant infrastructure road. The recommended policy in the River Hamble to Portchester Coastal Strategy was to 'Maintain Protection'.	**Coastal Partnership** – Phase 1 work completed in 2016 involving beach re-nourishment and extensive groyne maintenance. Phase 2 completed in 2017 to design and build a new sea wall. Use of barrier rail following expert advice, reduced the need to build the wall higher. **Corporate** - Construction works funded by FBC. **Coastal Partnership** – Considerable critical path project management utilised to achieve completion of consents, licencing, procurement and consultation work in very short timescales. **Coastal Partnership** Communication team used to keep the public and councillors up to date with progress and help manage issues arising. **Coastal Partnership** – Developing a Beach Management Plan to help understand and manage future risks.
Pipe Bomb discovery at Solent Airport In November 2017, an object was unearthed during construction work at Solent Airport (Swordfish Business Park). The object was found to be a 6 metre WW 2 pipe bomb which had been laid on the site by the Canadians. On the same day, a by-election for Stubbington was taking place close by. Any disruption to the election runs the risk of petition if the result is close. 	**Property Services** – Received notification as the client officer from the Tower that the contractor had found the bomb and work was ceasing in accordance with the agreed Method Statement. **Corporate** – Emergency Plan response set up and officer sent to the site. The police were informed who set up a 100m exclusion zone in the area which included closing the airport and several nearby roads whilst they carried out investigations. Bomb disposal experts called to the site who removed the bomb overnight and took it to a controlled site for destruction. **Corporate Services** – Information disseminated to the public to avoid the area and advise provided to residents. **Democratic Services** – Advice sought from the electoral commission and the legal team which was fed back to the police. The by-election could continue unless the police widened the cordon to 200m which would then include one polling station. (This did not happen but if it did the election would still be required to continue and the polling station would have had to be moved). **Democratic Services** – Working knowledge now in place of how to relocate a polling station.
Newgate Lane South (HA2) After publication of the Draft Local Plan an error was found in that the potential vehicular access identified via the demolition of two houses in the HA2 area was factually incorrect. The developer's written submission had indicated that they had secured an agreement with the landowners for access, but there was no legal agreement in place.	**Planning Strategy and Regeneration –** Clarified the situation and Notice of the error published on the website as an addendum to the Draft Local Plan. **Planning Strategy and Regeneration** – Due diligence checks to be increased in the future including a discussion with developers on what they intend to do in the plan and checking the accuracy of information held via the land registry.

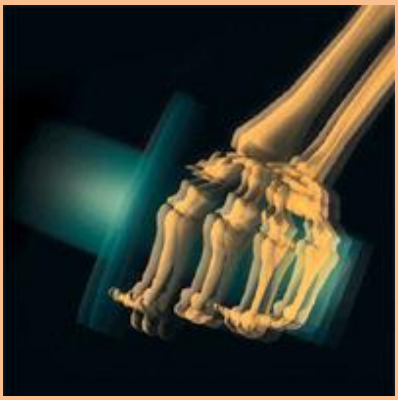
Risk or Opportunity	Actions taken
Exclusive Rights of Burial The Council's cemeteries service allows members of the public to purchase an Exclusive Right of Burial to sites of preference in FBC cemeteries, or to determine who is buried next to an actual interment. These right lasts for 30 years after which it can be renewed. There have been 3 incidents in the last 18 months of Exclusive Right of Burial sites being used for other interments.	**Corporate** – Investigations carried out into why the errors had occurred, and consultations held with the families affected. Formal complaint investigation completed for one of the incidents. **Street Scene** – Full end to end review carried out on how the Exclusive Rights of Burial are recorded and fed to the grave diggers and a number of improvements made. Cemeteries Officer now visits all upcoming sites of burials with the grave diggers to agree the location as a double check on the plot. **Street Scene** – Detailed training plan rolled out involving all employees in the process from the grave diggers to the administration officers. **Street Scene** – All Exclusive Rights of Burial plots are periodically audited by an external firm as a check that the right has been maintained.
Smart Motorway at Junction 10 One of the components being worked on for the Welborne development is changing Junction 10 of the M27 to an "all moves" junction. As detailed in Appendix C, negotiations have been taken place to secure funding for this work in relation to the Welborne Plan. However, Highways England have also announced that they will be upgrading the M27 from junction 4 to junction 11 between 2018-2021, as part of their smart motorway proposals. There is therefore a risk that the 2 projects are not co-ordinated in their design and construction.	**Welborne Planning** – Discussions held with the 2 teams in Highways England (Smart Motorways and Design) to promote co-ordination of the 2 projects. The smart motorway team have now agreed in principle to work to the Welborne design.
Loss of Consumables at Ferneham Hall Ferneham Hall employs a company to carry out regular stock checks of its bar and food lines. An irregularity was found in the January 2017 stock take indicating some loss of stock.	**Human Resources –** Investigation carried out and disciplinary action taken. **Leisure Services** – Managers requested an internal audit of their procedures around stock control. This has highlighted a number of opportunities to strengthen stock control and till management, which have now been implemented by the service.
Drug Users in Ferneham Hall Toilets During November 2017 employees and cleaners were finding debris in the toilets at Ferneham Hall indicating that drug users were visiting the hall to administer their drugs. 	**Leisure Services** – Key pads put on the toilets and activated whenever the bar is not open and there are no events on. The codes are being changed regularly to avoid the likelihood of someone learning them. Employees asked to be more vigilant when the toilets are open, and managers are floor walking which has stopped the misuse to date.

Risk or Opportunity	Actions taken
Difficulties Resourcing the Pest Control Service The Council Pest Control Service has historically provided free treatments for residents for rats and mice investigations and treatments. The Council has been having problems resourcing its Pest Control Service and was having to use an external contractor for some of the work. It was noted that a lot of the demand for the service was coming from casual sightings of rats by neighbours rather than true infestation reports that resulted in treatment. Research found that most neighbouring councils charged for rats and mice work and this did not have a noticeable effect on infestation in the area. The charges, however, could act as a deterrent to casual sightings being reported which have to be investigated. The charges would also generate some income to contribute to the cost of the Pest Control Service.	**Corporate –** Members approved introduction of charges for rats and mice, keeping the free service for families on low income. **Environmental Health** – Demand for the service is being monitored before and after charging was introduced. Initial indications are that there has been a drop-in demand from the casual reports but real treatment work has mostly continued at the same level. **Environmental Health** – Reduced pest control resource now needed and internal employees being trained up to cover the role rather than rely on external contractors. **Environmental Health** – Introducing training of mangers and officers in other roles to act as a backup resource, and who can deal with pest issues when dealing with other cases (e.g. hoarders, dilapidated housing).

Appendix C - Risks noted where further actions are still needed

Risk or Opportunity	Actions being taken
Air Quality Directive In July 2017, the Department of the Environment, Food and Rural Affairs (DEFRA) issued a Compliance Directive on the Council (and 22 others) to reduce nitrogen dioxide levels on parts of the A27/A32. This was in response to the Supreme Court ruling against the Government, brought about by Client Earth, a non-profit environmental law organisation. The Government utilised a pollution mapping tool to highlight the worst 23 roads in the Country. Previously, the Council had been completing the required air quality monitoring in compliance with the Environment Act 1995. They had designated 2 Air Quality Management Areas and were implementing local Air Quality Action Plans, which had been submitted to DEFRA. The new directive requires the Council to undertake several activities leading to the submission of a new draft action plan at the end of March 2018. This needs to be followed by a fully considered plan by the end of December 2018 which identifies the preferred option to deliver compliance in the shortest time. The plan will need to be implemented by the end of 2020; this is before the Stubbington by-pass will be completed, which is expected will also help alleviate the problem. A national failure to comply will lead to the Government being fined by the EU, who are then likely to pass the fines down to non–compliant Councils. Government funding is being made available to assist with our response, but is only being released on completion of the required submissions; which themselves require funding to achieve. The Council has also received a ministerial visit in relation to this directive in January 2018.	**Corporate** – Air Quality Strategic Member led working group established to manage delivery of the project: consisting of members and officers from FBC and HCC. HCC are leading on the procurement of a consultant to develop the proposed action plan. Technical Officer Group also established involving the Planning Strategy and Regeneration team and air quality experts. **Corporate** – Members approved delegated authority to the Director of Planning and Regulation, in consultation with the Executive Member for Health and Public Protection, to submit plans to the Joint Air Quality Unit, to meet their timetable. **Corporate** – Funding committed from HCC and the Quay Street roundabout site developer, as well as DEFRA, to purchase and operate an air quality monitoring station. **Corporate** – Air Quality Management Area amendment orders have been signed to extend the areas covered and all households and businesses in the areas and statutory consultees and local interest groups have been informed. **Environmental Health** – Officers have joined the collaborative working group (Black Water Valley) with other councils with the same DEFRA account manager in the Joint Air Quality Unit. The working group are appointing a shared project manager. **Environmental Health** – The Head of Service is holding a weekly teleconference with the DEFRA account manager. ClientEarth Justice for the Planet
Portchester Coastal Protection Opportunity The Portchester to Paulsgrove Coastal Flood and Erosion Risk Management Scheme is located on the north shoreline of Portsmouth Harbour, stretching for 1.7km from Portchester Sailing Club in the West, to Port Solent in the East. A number of the defences along the frontage are in poor condition or do not provide the required standard of protection.	**Coastal Partnership** – Grant in Aid funding was secured in 2017 to carry out a technical and environmental review of options; leading to an outline design and business case. An affordable scheme with a phased approach to delivery has been developed which has been approved by the Executive, if funding is secured. **Coastal Partnership** – Bid for £10m funding submitted to the Environment Agency in October 2017 to undertake detailed design and construction work. Ministerial visit in January 2018 to discuss the savings possible with taking action within 15 years rather than

Risk or Opportunity	Actions being taken
The North Solent Shoreline Management Plan sets a policy of 'Hold the Line' for this length of coastline, but funding is needed to achieve this. There are 361 residential and 108 commercial properties at risk from a 1: 200-year present day tidal flooding event, rising to 662 residential and 141 commercial properties at risk by 2115.	delaying it.
Possible changes to the calculation of housing need In September 2017, the Government published a document entitled 'Planning for the right homes in the right places: consultation proposals'. The document proposes an introduction of a standard method for calculating local housing need. The Council does not support this proposal as it effectively undermines the collaborative work already undertaken by the Council and PUSH, the Partnership for Urban South Hampshire, in determining the spread of housing across the region. The new calculation is also unclear. However, estimates indicate that the method increases the housing need in the borough to 531 per year (100 more than we are currently planning for). Therefore, if the change in national planning policy goes ahead we will need to find more places to build which are likely to be unpopular.	**Planning Strategy and Regeneration –** Submitted a response to the consultation which was endorsed by members.
General Data Protection Regulation (GDPR) The General Data Protection Regulation come into force in May 2018. They introduce new requirements such as the need to obtain consent, the right to be forgotten, and the requirement to notify the Information Commissioner's Office of any data breach within 72 hours. Non-compliance with the regulations brings the risks of not delivering our customers' rights, reputational damage and ultimately fines and sanctions from the Information Commissioner's Office. General Data Protection Regulation	**Corporate** – Monthly progress being monitored. **Corporate** – Data Protection Officer role required by the legislation has been assigned to the Head of Democratic Services. **Democratic Services** – Rolling out an awareness programme of briefings and workshops to managers, employees, partners and councillors. **Democratic Services** – Collating information from services on data held and shared to generate an Information Asset Register. **Democratic Services** – Supporting services in completing self-assessments, gap analyses and implementing action plans. **Democratic Services** – Leading on corporate initiatives such as the design of consent and retention schedules. **Democratic Services / Internal audit** – Carrying out collaborative reviews of high risk services. **Corporate Services –** Work plan being developed which included reviewing the use of the information obtained from the e-panel to be GDPR compliant.

Risk or Opportunity	Actions being taken
HSE Contravention Letter The Council was subject to a scheduled inspection by the Health and Safety Executive in August 2017, who were looking at how well we were complying with the Control of Vibration at Work Regulations. Areas for improvement in relation to Hand Arm Vibration (HAV) were identified and as a result the HSE has issued the Council with a notification of contravention. Failure to act on this could lead to the Council being prosecuted. 	**Environmental Health** – Corporate Health and Safety Officer working with the Operations Manager (Street Scene) to strengthen the Council's risk assessment for Hand Arm Vibration (HAV). **Street Scene** - Undertaking a tier one health screening exercise for all the Grounds Maintenance employees and a couple of staff most at risk in the street cleansing team. Any resulting action needed should be identified; this could be Occupational Health referrals for staff raising any issues that need further investigation. **Street Scene –** An external company was used to measure all our power tools so that we have exact field measurements for each piece of equipment to enable more accurate risk assessments to be undertaken. The findings will then be implemented. **Street Scene –** A programme of trigger time measurements to be introduced to ascertain the exact time staff are at risk and if they exceed any limits. This will be used with the tool measurement to ensure we have robust risk assessments in place going forward. **Street Scene –** Other managers in Street scene have been made aware of the need to undertake a similar programme for their teams to ensure all comply with the regulations. All of the above has been coordinated with the Council's Corporate Health and Safety Officer. **Corporate** – Human Resources have been leading on spreading the learning from this issues into other areas of the Council. Occupational Health are actively involved in looking at what additional screening we could do.
Updating the Asset Management Plan The Asset Management Plan has not been refreshed since 2008/09, and there is a risk that as a landlord we are not clear about the condition of all our assets including car parks, building and surface areas. Although robust processes are in place to monitor and inspect the statutory health and safety risks associated with assets (e.g. fire safety, asbestos, legionella, gas safety), these are not as robust for other issues affecting the fabric of the assets.	**Property Services** – In early stages of producing a new 10-year Asset Management Plan. **Property Services / Street Scene** – Condition survey of public toilets being carried out. **Property Services** – Town centre surface areas are being inspected and managed. **Finance and Audit** – Joint work in the 2017/18 audit plan to verify that responsibilities for inspection of all the Council assets, including public areas, are clear. Also, how other services can help inform the monitoring processes.
Customer Confidentiality on the Ground Floor The Council's reception area uses a number of open booths and customer seating in close proximity. Rooms are not always available when confidential matters need to be discussed. Therefore, thoughts are being given to the redesign of the area. This work was delayed whilst negotiations with the Police, as possible users of the building, were being carried out.	**Corporate –** Project to reconvene to review the needs of services whose customers use the ground floor **Property Services** – Consultation in progress with current tenants who have different requirements from the ground floor.

Risk or Opportunity	Actions being taken
Council Procurement Processes The Council has been reviewing its procurement processes to see how we can make things easier to do the right thing for our services. This is including understanding and removing unforeseen consequences of the current process. We are in a tactical experimentation phase looking at using different, faster routes to market whilst still protecting the council and achieving value for money. At the moment, this will mean that services are not always clear on what the current 'rules' are.	**Democratic Services / Finance** – Developing their roles as service advocates to help find the right route to market, demonstrate value for money and support them through the process. **Democratic Services / Internal audit** – Developed a series of procurement principles which have been endorsed by CXMT and the Audit and Governance Committee. **Democratic Services / Internal audit** – Carrying out a review of Contract Procedure Rules as to how well they match the procurement principles and which rules lead to the unforeseen consequences. **Democratic Services / Internal audit –** Designing a procurement flow which makes it easy for services to access suppliers, demonstrates value for money and encourages small businesses as suppliers.

Appendix D – Detailed List of Risks, Opportunities and Actions Covered in the Manager Discussions

Those in **bold** are detailed further in the appendices above

Service Manager (s)	Subjects discussed
Planning Strategy and Regeneration	**Extending the Local Plan to 2036** **Compliance with Air Quality Directive** **Government proposed changes to the calculation of housing need** **Error in draft plan relating to Newgate Lane South (HA2)** Other local councils making requests for help in meeting housing targets under the duty to co-operate – unknown how the Planning Inspector will view a response to these requests. Delivery of Portchester Vision if not seen as a HCC priority Cranleigh road appeal (covered in previous report) Further housing needs impact on the parking strategy Difficulty in recruiting experienced planners especially at peak times such as changes to legislation or a recession – use of golden handshakes Stubbington bypass
Environmental Health	**Compliance with Air Quality Directive** **Safety Advisory Group role in Special Events** **Difficulties resourcing the Pest Control Service with associated health risks.** **Decline in weekly and monthly markets** **Contaminated Land risks at Daedalus** **Contravention letter issued by the Health and Safety Executive** Risks associated with the change of the partner management structure on the Environmental Health Partnership Impact of legislative changes proposed for Food Safety work Non-completion of Food inspections Successful prosecutions for hygiene cases Control over Dog control and pest control income – internal audit findings New arrangements with Portsmouth to administer FBC Disabled Facilities Grants (DFG) Potential use of Parity Trust for Home Improvement Loans Risk of losing DFG funding if not used within the required spending timeframe. Impact of legislative changes proposed for Houses in Multiple Occupation Maintaining the out of hours service
Street Scene	**Improving Hedge Cutting Capacity and Service (Opportunity)** **Reducing administration of sports pitch bookings and ensuring VAT compliance** **Contravention letter issued by the Health and Safety Executive** Problems with Exclusive Rights of Burial Risks of vulnerabilities in refuse collection across the borough as expansion cannot always be absorbed by current rounds and this is a high-profile service Opportunity of charging developers for both refuse and recycling bins for new properties Managing the risk of increased disposal costs for Trade Waste

Service Manager (s)	Subjects discussed
	HMRC fine for VAT error on Trade Waste Changes in recycling markets and government targets Reduction in HCC funding for grass cutting Risks inherent with new Titchfield Country Park Travellers incursions on parks and open spaces Health and Safety risks in play areas
Leisure	**Risks relating to special events including Daedalus 100** **Drug users in Ferneham Hall toilets** **Risk of loss of stock due to theft or other reasons** **Misuse or non-use of Community Grant funding** Risks surrounding the uncertainty of the future model for Ferneham hall Opportunities to reduce level of subsidy of Ferneham Hall Risk assessments, inspection and maintenance regimes of play areas Governance arrangements of community centres including management of Health and Safety risks Implications if there is a fall in the numbers using the leisure centres Health and safety risks at leisure Centres Adequacy of refreshment provision at Holly Hill Refurbishment of Museum – risk of future funding needs if café unsuccessful Crowd funding opportunities to make grant funding go further
Corporate Services	**Management of Special events including Daedalus 100 and the Royal visit.** **Threats during an election count** **Compliance with the General Data Protection regulations** **Customer Confidentiality on the Ground Floor** **Management of abuse on social media – including where it does not originate from our site.** Cash Office – risk of loss of cash Risk of abuse of CSC staff including involvement of other civic office tenants Lone working arrangements Health and Safety risks at public consultation venues Managing the risk of giving out flawed equality advice Procedures for Suspect packages Risks associated with the Election counts, including opportunities to declare results more quickly.
Democratic Services	**Non-compliance with new legislation - the General Data Protection Regulations** **Managing the risks for the royal visit to Daedalus** **Risks of having an inaccurate electoral register – changes in canvasser process** **Preparation for the death of a Senior Royal** **Pipe Bomb found at Solent Airport on the day of the by-election** Accusation of maladministration if not following the law in respect of formal decision-making procedures by the Executive Risk register completion for each election Incident state boards maintained of all issues that arise on the day of the election and what action was taken

Service Manager (s)	Subjects discussed
	Loss of Mayor's chain Risk of challenge from a supplier for non-compliance with Procurement legislation. Freedom of Information requests for sensitive projects – what should/ should not be released Inherent risk of outsourced legal services
Coastal Partnership	**Sector Specific Risks** Environment Agency National Flood Risk Assessment and erosion maps – affects their allocation of Treasury Funds Partnership completion of North Solent Shoreline Management Plan in 2010 reviewing the risks and assigning management polices over 100 years in 3 time periods. Policy options are: Hold the line, advance the line, managed realignment, No Active Intervention. Partnership completion/improvement of 2 Coastal Strategies for Fareham assessing the impact of implementing the policy options in the NSSMP on smaller sections of shoreline. Coastal flood and erosion risk management options assessed against Life, Property and Environment impacts. Partnership coastal monitoring programme to further inform the strategies. Partnership updated the Strategic Flood Risk Assessment for PUSH in 2012 The flood risk assessments are used when developing the Fareham Local Plan. Coastal asset management plan developed for each partner. Reputation risk if don't bid for funds to help mitigate risks in our borough which are in the public interest (but no duty to act) Risk that land owners don't implement the preferred policy option in the Shoreline Management Plan. Risk of changing government priorities leading to loss of funding of projects. **Service Delivery Risks/ Opportunities** **Understanding risks posed from Landfill sites in a Harbour Area (opportunity)** **Failure of Coastal Defences at Hill Head** **Portchester Recreation Ground Protection opportunity** Fareham Quay flood risks Project management principles employed to deliver strategies and construction. Construction contracts are designed using appropriate, project specific options depending on the risk associated with the scheme. e.g. Priced activity schedule, Target Cost or Remeasurable pricing options with the contractor, as well as choices of form of contract. **Partnership Risks / Opportunities** **Sustaining and developing team of employees available to deliver the partnership work – risk of loss of staff** Use of partnership to mitigate the risk for one council of a major coastal disaster. Coastal incident officers available 24/7 to manage an emergency response. Shared service agreement for the 4 councils – splits costs proportionate to the assessment of the needs of the councils. Pain and gain agreement depending on the success of the partnership. Opportunity savings from successful funding of capital works spread across the 4 councils. Reserves set aside to set up a project fund for self-funding of works or mitigate future redundancies. Governance arrangements to support the partnership Relationship management between officers and councillors of the 4 councils to maintain support for the partnership Developing procurement frameworks – opportunity for partnership leverage over construction and design suppliers in the area.

Service Manager (s)	Subjects discussed
	Resilience building for the senior managers
	Opportunity to create business development manager to sell services to other councils
	Change of IT operation from HCC to Capita
Property	**Contaminated Land risks at Daedalus**
	IFA2 affects the operation of Solent Airport and the safety of users
	Civic Offices Evacuation training for new tenants
	Pipe Bomb found at Solent Airport on the day of the by-election
	Updating the Asset Management Plan
	Customer Confidentiality on the Ground Floor
	Risks associated with the development and management of Daedalus
	Risks of tenants not paying or leaving our investment properties (including the option to initiate a break clause)
	Complying with Commercial property acquisition strategy and management of vacant properties
	Market analysis of the best use of the Holly Hill Mansion site
	Daedalus – risk from competition for private charters with Bournemouth airport
	Emergency planning for the risk that the Civic Offices cannot be used
	Opportunities for additional catering concessions
	Security of Civic Offices – including entrance doors to each floor.
	Action taken because of the Grenfell Tower fire – covered in previous report
	Actions taken in preparation for the scheduled power outage – covered in previous report
Welborne	**Use of Delivery Strategy to help achievement of the Welborne local plan**
	Master Development Relationship - Breakdown in relationship with master developer during determination of the planning application / Determination does not deliver the required scheme
	Smart motorway at Junction 10 of the M27 not coordinated with Welborne development
	Failure to secure a scheme promoter for Junction 10
	Housing Infrastructure Funding money not available to help fund the gap in the funding in place and estimated cost of junction 10.
	Funding the cost of maintenance at Junction 10 and use of the commuted sum
	Use of Compulsory Purchase Order powers for minority land holdings
	Housing Delivery rates are too slow to meet the needs of the local plan – action on looking at whom else can deliver other segments of the market.
	Impact of Brexit on availability of construction skills
	Public spaces at Welborne become unsightly
	Healthcare provision at Welborne does not meet expectations – CCG attendance at CATS in 2018
	Railway halt for the Welborne development
	Inter-authority agreement with Winchester City Council to manage the SANGS (Suitable Alternative natural Green Space) areas in their boundary

FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date: **12 March 2018**

Report of: **Monitoring Officer**

Subject: **CONSTITUTION UPDATES**

SUMMARY

This report informs Members of the ongoing work to update and review the Council's Constitution. Work is currently underway to review and where necessary update each section of the Constitution and to revamp the Council's Constitution webpages.

This report also proposes to seek approval from the Audit and Governance Committee to add an annual report to the Committee's work programme which will provide an overview of the ongoing work to the Constitution and allow Members to review any changes that have been made over each twelve-month period.

RECOMMENDATION

It is recommended that the Committee: -

a) notes the contents of the report; and

b) approves the addition of an annual report item to the Committee's work programme – Review of The Constitution.

INTRODUCTION

1. The Council's Constitution is under constant review and there are regular amendments required to keep it up to date.

2. The Monitoring Officer is responsible for monitoring and reviewing the Constitution to ensure that its aims and principles are given full effect.

3. Over the past year officers have been compiling a library of updates in order to catalogue amendments and monitor regular reviews. This work has also included re-formatting pages, creating new web-pages and new hard copies will also be created.

BACKGROUND TO THE CONSTITUTION

4. The purpose of the Constitution is to set out how the Council works, how its decisions are taken and what procedures will be followed to make sure that the Council is efficient, transparent and accountable to members of the public.

5. The Constitution is under continuous use by Members, Officers and members of the public, so it is important that the document is user friendly.

CHANGES TO THE CONSTITUTION

6. Changes to this Constitution may be made at any time, arising from a review by the Monitoring Officer or recommendation to Council and will only be approved by Council once considered by the Audit and Governance Committee. All such changes will comply with the provisions of the Local Government Act 2000 and other relevant statutory provisions.

7. The Monitoring Officer has delegated authority to update the Constitution arising from decisions of the Council, Executive or where legislation requires a change in wording, terminology or reference.

8. There have been multiple changes to the Constitution over the past ten years but not all have been captured and logged. The aim moving forward is to compile a history of all previously agreed updates and that any future updates be logged in the same way. A sample of the work is attached at Appendix A.

MOVING FORWARD

The Constitution Log

9. A Constitution log is being complied to allow officers to monitor every page of the Constitution and easily gain information on which parts need: -

    a) updating regularly, for example some sections need updating every year after Annual Council;

    b) reviewing by the Monitoring Officer; or

    c) checking for accuracy by the Legal team due to changes in legislation.

The Constitution Webpages

10. The use of the webpages has evolved over the years and they are now the main source for most users of the Constitution. The aim for the new pages is to make it easier for users to find what they are looking for and to clarify what pages are up to date or in need of review.

Hard copies of the Constitution

11. It is also important to maintain and update the hard copies of the Constitution, which are distributed to group rooms and key Officers. All current hard copies, of which there are eight, will be replaced with the reformatted pages with the aim to make the document easier to navigate and update when necessary.

ONGOING REVIEW

12. The Monitoring Officer, along with the Head of Democratic Services will be using the Constitution Log to identify those pages and sections within the Constitution which need updating by means of a formal decision by Council and the intention is to continue with the work previously carried out by the Constitution Working Group.

13. This report also seeks the agreement of the Audit and Governance Committee to bring an annual report to the Committee which captures all changes and ongoing work on the Constitution. To allow Members to review any changes and give feedback to officers on areas for review.

RISK ASSESSMENT

14. There are no significant risk considerations in relation to this report.

CONCLUSION

15. It is recommended that the Committee: -

    a) notes the contents of the report; and

    b) approves the addition of an annual report item to the Committee's work programme – Review of The Constitution.

Appendix A - Updates to the Constitution

Background Papers:

Reference Papers: The Council's Constitution

Enquiries:

For further information on this report please contact Leigh Usher. (Ext 4590)

Updates to the Constitution –

Section of the Constitution	Report Title	Date Change Agreed at Council	Minutes Text
Part Four – Stand Alone Supporting Documents - Financial Regulations	Changes to Financial Regulations – Officer Responsibilities	30 July 2009	RESOLVED: - that the recommendation of the Audit Committee contained in minute 2: Financial Regulations be accepted and, accordingly, the proposed changes to financial regulations to reflect revised officer responsibilities be approved;
Part Four – Stand Alone Supporting Documents - Financial Regulations	Annual Review of Financial Regulations	17 December 2009	RESOLVED: - that the recommendation of the Audit Committee contained in minute 3 regarding financial regulations be accepted and, accordingly, the proposed changes be approved and adopted;
Part Four – Stand Alone Supporting Documents – Standing Orders with Respect to the Appointment, Dismissal and Discipline of Employees	Chief Officer/ Director Appointments	19 February 2010	RESOLVED that the recommendations of the report be approved and adopted and, accordingly: (a) approval be given to the permanent appointments to the Council's Chief Officer/Director posts and the transfer of functions as detailed in paragraph 8 of the report, such appointments being in accordance with Standing Orders 2 and 6 of the Council's Standing Orders with respect to the Appointment, Dismissal and Discipline of Employees; (b) the designation of two existing Director posts be amended as detailed in paragraph 9 of the report; and (c) the Solicitor to the Council and Monitoring Officer be authorised to make consequent amendments to the Council's Scheme of Delegation to Officers and Powers of Entry and to Standing Orders with respect to Meetings.
Part Four – Stand Alone Supporting Documents - Financial Regulations	Annual Review of Financial Regulations	16 December 2010	RESOLVED: - that the recommendations of the Audit Committee contained in minute 3 be accepted and, accordingly, the changes to Financial Regulation be approved.

Part Four – Stand Alone Supporting Documents – Standing Orders with Respect to Meetings	Sealing of Documents and Other Changes to the Constitution	14 April 2011	RESOLVED that the proposed changes, set out in the report, be adopted.
Part Four – Stand Alone Supporting Documents - Financial Regulations	Annual Review of Financial Regulations	15 December 2011	RESOLVED: - (a) the recommendation of the Audit Committee contained in minute 6 of 29 November 2011 regarding the Annual Review of Financial Regulations - the Council is recommended to approve the suggested changes to Financial Regulation 18 - Payments to Employees and members, as shown in Appendix B attached to the report, subject to the proposed amendments referred to in (i) and (ii) below: - (i) Paragraph 18.2.8 - add wording to make it clear that use of Rail Warrant Books should only be for authorised trips. The revised paragraph to read: - **Rail Warrant Books**: Rail warrants should only be used for authorised work-related journeys. All books of rail warrants must be accounted for, and record*s maintained of their use.* (ii) Paragraph 18.3.3 - remove second sentence so that the revised paragraph reads: - **Payment Procedure:** Payments to members will be paid in accordance with the procedure approved by the Council.
Part Four – Stand Alone Supporting Documents - Financial Regulations	Financial Regulations Update – Regulation 12 Treasury Management	24 April 2012	RESOLVED: - the recommendation of the Audit Committee contained within minute 6 to approve the new Regulation 12 -Treasury Management be confirmed
Part Four - Stand Alone Supporting Documents - Standing Orders with Respect to Meetings & Part Five – Codes of Conduct and Practice	Standards Arrangements	21 June 2012	RESOLVED that: - 1. the revised Members Code of Conduct as set out in Appendix A to the report, be adopted to come into effect on 1 July 2012 pending the development of any Hampshire wide generic Code; 2. Mr David Basson and Mrs Mary Kilbride be appointed as the Council`s two Independent Persons for the purposes of consideration, investigation and hearing of complaints under the Members Code of Conduct as required under section 28(7) of the Localism Act 2011; 3. the arrangements for the consideration, investigation and hearing of complaints under the revised Members Code of Conduct as set out in Appendix B to the report be agreed; 4. Standing Order 28 be amended to require a Member who has a

			Disclosable Pecuniary Interest, in an item of business being considered at a meeting of the Council, the Executive, the Scrutiny Board, a committee, sub- committee or panel to declare that interest and withdraw from the room during the discussion and not vote on that item; 5. authority be delegated to the Solicitor to the Council in consultation with the Monitoring Officer to make any amendments to the Code and arrangements for dealing with Member conduct which may be necessary as a result of any statutory requirement or further advice; 6. authority be delegated to the Solicitor to the Council in consultation with the Monitoring Officer to amend the Council`s Constitution to take into account any further amendments required as a result of the Localism Act 2011 and its associated regulations; and 7. that training sessions for Members be arranged as soon as practicable on the details of the new Disclosable Pecuniary Interests.
Part Four - Stand Alone Supporting Documents – Scheme of Delegation	Executive Leaders Delegations	26 July 2012	RESOLVED that the enhanced powers of the Executive Leader in determining the scheme of delegation for the discharge of the Executive functions of the Council be noted.
Part Four – Stand Alone Supporting Documents - Financial Regulations	Financial Regulations Update – Regulations 5, 6 and 7 – Financial Planning and Reporting	26 July 2012	RESOLVED: - (i) paragraph 7.2.1 to include the word "clear" to indicate that reports should be written in “plain” English; and (ii) paragraph 7.3.2 to ensure that the phrase "Annual Statement of Accounts" is properly titled with capital letters.
Part Four – Stand Alone Supporting Documents - Financial Regulations	Review of Financial Regulations 4 (Authorisation Limits), 8 (Revenue Budgets), 9 (Capital Programme)	18 October 2012	RESOLVED: - the recommendation of the Audit and Governance Committee contained in minute 6 of 24 September 2012 regarding the review of Financial Regulations 4 (Authorisation Limits), 8 (Revenue Budgets), 9 (Capital Programme) be accepted and the proposed changes to revise the regulations, as set out in Appendix E and F of the report be approved.
Part Four – Stand Alone Supporting Documents - Financial Regulations	Annual Review of Contract Procedure Rules	13 December 2012	RESOLVED: - the recommendation of the Audit and Governance Committee contained in minute 7 of 26 November 2012 regarding the proposed changes to the Contract Procedure Rules be accepted as set out in Appendix A of the

			report be approved;
Part Four – Stand Alone Supporting Documents - Financial Regulations	Review of Financial Regulation 16 (Ordering and paying For Goods and Services)	13 December 2012	RESOLVED: - the recommendation of the Audit and Governance Committee contained in minute 8 of 26 November 2012 regarding the proposed changes to Financial Regulation 16 (Ordering and Paying for Goods and Services) be accepted as set out in the report be approved;
Part Four – Stand Alone Supporting Documents - Financial Regulations	Latest Financial Regulations Updates	25 April 2013	RESOLVED: - the recommendation of the Audit and Governance Committee contained within minute 6 to approve the changes and updates to the Financial Regulations updates be confirmed;
Part Four – Stand Alone Supporting Documents - Financial Regulations	Financial Regulations Updates	25 July 2013	RESOLVED: - the recommendation of the Audit and Governance Committee contained in minute 7 regarding the review and subsequent proposed changes to Financial Regulations 14, 10 and 11 be agreed
Part Four – Stand Alone Supporting Documents – Standing Orders with Respect to Meetings	Updates to the Constitution	12 December 2013	RESOLVED that the revised version of the Standing Orders with Respect to Meetings, as appended to the report, be adopted subject to the following amendments: i the removal of the second paragraph at Standing Order 15.7; and ii.the removal of the words “of any member of the Council” at Standing Order 57.1.
Part Four – Stand Alone Supporting Documents - Financial Regulations	Latest Financial Regulations Update	12 December 2013	RESOLVED: - the recommendation of the Audit and Governance Committee contained in minute 6: Latest Financial Regulations Update to approve the changes to Regulation 19 be agreed;
Part Four – Stand Alone Supporting Documents - Financial Regulations	Review of Financial Regulations	24 April 2014	RESOLVED: - the recommendation of the Audit and Governance Committee contained in minute 6 regarding the changes to the Financial Regulations 1 – Responsibilities of Members and 2 – Responsibilities of Statutory Officers be accepted and accordingly, the changes as set out in Appendices B and D to the report be approved

Part Two – Responsibilities and Functions – Functions of the Audit and Governance Committee	Functions of the Audit and Governance Committee	24 April 2014	RESOLVED: - the recommendation of the Audit and Governance Committee contained in minute 7(b) regarding the updates to the Functions of the Audit and Governance Committee that relate to the review of Financial Regulations be accepted and accordingly, the changes as highlighted in Appendix A to the report be approved
Part Four – Stand Alone Supporting Documents - Financial Regulations	Review of Financial Regulations	24 July 2014	RESOLVED: - the recommendation of the Audit and Governance Committee contained in minute 6 – Review of Financial Regulations regarding the proposed changes to the regulations, be accepted and accordingly, the changes as set out in Appendix B and D to the report be approved
Part Four – Stand Alone Supporting Documents – Standing Orders with Respect to Meetings	Update to Standing Orders Following The Openness Of Local Government Bodies Regulations 2014	09 October 2014	RESOLVED that the Council approves: (a) the updates to Part Four of the Constitution - Standing Orders with Respect to Meetings, as detailed in paragraph 8 of the report; (b) the protocol on the recording of public meetings, as set out in appendix A to the report; and (c) that the Monitoring Officer be delegated authority to update the protocol to meet operational needs.
Part Four – Stand Alone Supporting Documents – Standing Orders with Respect to Meetings	Update to Standing Orders Following the Openness of Local Government Bodies Regulation 2014	09 October 2014	RESOLVED: - The recommendations of the Audit and Governance Committee contained in minute 6 of 22 September 2014 regarding the proposed updates to Standing Orders following the Openness of Local Government Bodies Regulations 2014 were dealt with at agenda item 16.
Part Four – Stand Alone Supporting Documents – Scheme of Delegation to Officers	Proposed changes to the Scheme of Delegation to Officers in respect of the Planning Committee and the Planning Committee Deputation Scheme	20 February 2015	RESOLVED that: (a) the proposed changes to the Scheme of Delegation to Officers in respect of the Planning Committee as set out in paragraphs 38 and 48 of the report at Appendix A, along with the minor amendments and clarifications recommended by the Planning Committee in paragraph 5 of this report be agreed; (b) the Monitoring Officer be authorised to make the necessary amendments to the Scheme of Delegation to Officers and to the Planning Committee Deputation Scheme of the Constitution; and

			(c) the new arrangements be reviewed after a period of 12 months.
Part Four – Stand Alone Supporting Documents – Scheme of Delegation to Officers	Management Structure	15 October 2015	RESOLVED that the Council approves: (a) the deletion of the current post of Director of Community; (b) that the designation of the Director of Environmental Services be amended to Director of Operations and the designation of the Director of Planning and Development be amended to Director of Planning and Regulation; (c) that authority being given to the Monitoring Officer to amend the Scheme of Delegation to Officers to transfer functions currently under the responsibility of the Director of Community amongst the other Directors, as instructed by the Chief Executive Officer; (d) that the Chief Executive Officer be authorised to make the necessary amendments to the Pay Policy statement for 2015-16 to reflect the above approved changes; and (e) that the report and the minute of the decision be no longer treated as exempt information and be open for public inspection, with the exception of paragraphs 23 and 24 which will remain exempt from publication on the grounds that it is not for publication by virtue of Paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972.
Part Four – Stand Alone Supporting Documents – Standing Orders for the Appointment, Dismissal and Discipline of Employees	Updates to the Constitution	17 December 2015	RESOLVED that the Council approves the updated sections of the Constitution for: (a) the Standing Orders for the Appointment, Dismissal and Discipline of Employees, as set out in Appendix A to the report; and (b) the Code of Conduct for Members, as set out in Appendix B to the report.
Part Two - Responsibilities and Functions – Functions of the Audit and Governance Committee	Review of the Functions of the Committee	13 October 2016	RESOLVED that the recommendations contained in minute 6 be accepted and accordingly the functions of the Audit and Governance Committee, as set out in the Appendix A to the report, be approved.
Part Four – Stand Alone Supporting Documents - Financial Regulations	Updates to Financial Regulations	15 December 2016	RESOLVED that the recommendations contained in minute 7(a) be accepted and accordingly: i. the Council agree the proposed changes to Authorisation limits in Financial Regulation 4; and ii. that the recommendations contained in minute 7(b) be accepted and

			accordingly the Council approve the proposed changes to the wording in Financial Regulation 13.2.2 to include the inclusion of the words “and within the remit of their service” so that it reads “Property, Estates or Procurement teams, as appropriate to the acquisition and within the remit of their service”.

FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date: **12 March 2018**

Report of: **Head of Finance and Audit and Head of Democratic Services**

Subject: **REVIEW OF CONTRACT PROCEDURE RULES AND FINANCIAL REGULATION 15 - CONTRACTS & PROCUREMENT PROCEDURES**

SUMMARY

This report provides an update on the review of Contract Procedure Rules and Financial Regulation 15 – Contract and Procurement Procedures. This work follows a Vanguard intervention review on procurement procedures.

RECOMMENDATION

It is recommended that the Audit and Governance Committee:

(a) notes the update on the review of Contract Procedure Rules currently underway; and

(b) considers if the approach to amending the Contract Procedure Rules is appropriate.

INTRODUCTION

1. Financial Regulations form part of the Council's constitution and provide a detailed strategic and operational framework for managing the authority's financial affairs.

2. Work has been carried out in recent years to streamline the regulations down to the key rules that are necessary for the Council to adequately manage its financial affairs. There is one regulation left to update which is Financial Regulation 15 – Contracts and Procurement Procedures. This sets out the Council's rules in relation to purchases under £20,000. Purchases over £20,000 are governed by the Contract Procedure Rules.

3. The Head of Democratic Services and the Procurement Manager gave a detailed presentation to the Audit & Governance Committee on 27 November 2017 about the work being carried out to improve the Council's procurement process using the Vanguard method. Draft buying principles were presented for comment and the Committee was advised that this review would inform work to revise the Council's Contract Procedure Rules, and Financial Regulation 15.

4. This report provides an update on this review and the approach being taken to revise the Councils rules around its procurement procedures.

PROCUREMENT PRINCIPLES

5. An outcome of the Vanguard review was to create a set of Buying Principles which would provide clear thinking for officers to check their reasons before beginning a purchasing process.

6. In designing the perfect system flow, it was identified that the key elements to take into account should be that it:

    - makes it easy for teams to access the supplies/goods/services they need to serve their customers, and does not create undue delays or waste work; and

    - demonstrates that we have achieved the best value for money out of taxpayers funds, in the buying decisions we've made; and

    - encourages (and certainly does not detract from), small businesses being part of the Council's supply chain.

7. The aim is to avoid the focus being purely on cost which can often drive the procurement process, cause unnecessary delays and restrict the route to market and instead move towards a focus on supporting customer satisfaction and achieving the best value for money (not necessarily the cheapest).

8. The following table contains the draft Procurement Principles which were considered by the Committee at its meeting on 27 November:

1. Be clear about what you want and why you need it • How will the purchase benefit your customers? • Do you know what you want? • Do you know the market? • Is this the best deal for the Council?

• Can you afford it within your budget? • Is this the best solution or is there another way to achieve the desired outcome?
2. Be able to justify your thinking to the person on the street who pays council tax • Treat the spend as if it is your own money • Be ready to assist in evidencing the thinking/rational for your approach • Comply with the Council's Anti-Bribery Policy o and know that you can rely upon it
3. Pull in the Experts early • Have early conversations with the procurement team and your Finance Business Partner to help agree the right approach • Ask for and accept critical friend challenge • Be ready to answer: do you know your market, do you have the money, how does this spend help your customer or internal stakeholder, is this spend the most economical way to achieve that outcome?
4. Anything over OJEU limit = must go out tender (non negotiable) • Heads of Service to authorise orders and invoices over this value • Need mechanism to tell people what the limit is when it changes - HoS and FBPs told - also SID page with thresholds • Advertise on Contracts Finder and other means
5. Get the best deal for the Council you can • It's not always the cheapest! • What does good look like when you're buying something? • Consider service implications and quality • Take into consideration whole life costs • This Council encourages negotiation with preferred suppliers, where relevant and when permissible (not if OJEU restricted or open route)
6. Engage with local SMEs (principles of FSB Engagement Accord) • Don't close the door on local SME businesses – help them to work with us • Meet the buyer events
7. Buyer beware • Remember the risk is on the buyer • Checks on the supplier need to be carried out – supply vetting

REVIEW OF CONTRACT PROCEDURE RULES

9. Following on from the draft Procurement Principles, it was identified that the next step would be to review the Contract Procedure Rules (CPRs) and Financial Regulation 15: Contract and Procurement Procedures.

10. Work has begun to review CPRs, utilising the following questions as guidance:

- Is the current CPR clear in what it is saying?

- Is that what we are currently doing?
- Does the current rule cause blockages in the process?
- Does the current rule work with the new Procurement Principles?
- Are there extra rules needed?

11. The table at Appendix A to this report shows the log we are using for the review of each CPR and records the work carried out at the time of this report. The table shows any proposed amended or new wording along with a record if the CPR will be kept, lost or changed and a note to show why this has been considered. At the end of the document we are adding new rules that we consider need to be incorporated into the finished document to meet the requirements of the new Procurement Principles.

12. Members of the Committee are invited to review this approach and to raise any questions about this method of review and to make alternative suggestions where appropriate.

13. Once the review of the CPRs is complete, the next stage will be to consider if Financial Regulation 15: Contract and Procurement Procedures could be merged with CPRs or amended to reflect the Procurement Principles.

14. Furthermore, the purpose and content of the Procurement Threshold Table will also require a review following on from this work.

RISK ASSESSMENT

15. There are no significant risk considerations in relation to this report

CONCLUSION

16. The Audit and Governance Committee is asked to note the update on the review of Contract Procedure Rules currently underway; review the draft amendments and considers if the approach to amending the Contract Procedure Rules is appropriate.

Background Papers: None

Reference Papers:

Fareham Borough Council Constitution and Contract Procedure Rules

Enquiries:

For further information on this report please contact Elaine Hammell (Ext 4344) or Leigh Usher (Ext 4553)

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
COMPLIANCE			
Every Member of the Council and every officer and employee of the Council must comply with these Contract Procedure Rules	Change – to match financial regs		***Every Member, employee of the Council and anyone acting on the council's behalf must comply with these Contract Procedure Rules.*** ***Where work is carried out in partnership or collaboration then the CPRs of the 'lead' authority should be followed, unless it is agreed by all parties that the CPRs of one of the partners prevails.***
Any other person who is engaged in the letting, management or supervision of a contract on behalf of the Council must comply with these Rules as if s/he were an officer of the Council	Lose – now covered by rule 1		
These Rules apply to all procurement decisions, regardless of the source of funding, or the status of the contractor (i.e. they apply equally to selection of both main contractors and nominated sub-contractors or suppliers).	Keep part 1 Lose part 2	Contractors and sub-contractors are bound by the terms of the contract any way	***These Rules apply to all procurement decisions, regardless of the source of funding.***
Every contract must be let in compliance with all applicable European and domestic legal requirements	Change to make clear		***Every contract must be let in compliance with all applicable legal requirements***

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
Failure to comply with these Rules is a breach of the Council's Disciplinary Code of Practice and will generally result in the application of the Council's disciplinary procedures	Keep		
These Rules are supplemented by and should be read in conjunction with the Council's Financial Regulations and the Procurement Thresholds and Sourcing Procedures.	Possibly lose	Aiming to merge these 3 documents into one.	
A glossary of key types of contract referred to in these Rules is provided in Appendix 2: • **Concessions** • **Framework Agreement** • **Goods / Supplies** • **Services** • **Works**	Change	Purchase is to be the generic terms for buying things, entering into contracts and entering into income generating arrangements.	Add definitions of: ***Call-off agreements*** ***Emergency - Threat to life, property, security and the environment.*** ***Purchase – arrangement with a supplier in which we pay them to provide goods, supplies, services or carry out works or they create income for FBC/other body***
EXEMPTIONS			
The following contracts are exempt from the requirements of these Rules: • Orders to be placed through a framework agreement[1] access to	Change	Should be expanded under procurement principle 3 To review if need a new rule to cover this	?

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
which is available to this Council; • Orders placed through a central purchasing body within the meaning of the Public Contracts Regulations 2006; • Employment contracts; • Contracts for the disposal or acquisition of an interest in land; • Grants to external organisations.			
CONTRACT VALUE			
All monetary values referred to in these Rules are total contract values, not annual values, and exclude VAT unless otherwise stated. They cover expenditure contracts and income generating contracts.	Change	Add definition for income generating contract as part of what a purchase is.	***All monetary values referred to in these Rules are total purchase value with a supplier (see definition), not annual values, and exclude VAT unless otherwise stated.*** ***Total value would typically cover 4 years.***
Appendix 1: These limits relate to expenditure or Income, excluding VAT.	Change	Refer to the relevant rule	
Appendix 1: The limits relate to the Contract Value defined as the whole life costs of the works1, goods and services being procured. It is NOT the annual value.	Lose – cover by above		

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
Guidance on valuing a contract will be maintained as part of the Procurement Thresholds and Sourcing Procedures.	Lose – cover by above		
Contracts must be packaged appropriately to achieve maximum value for the Council. They should not be split in order to avoid quotation or tendering limits in these Rules or EU procurement thresholds, or packaged in a way to reduce the potential for fair and open competition.	Lose	Covered by new justification rule about being clear about what you are purchasing and pulling in the experts	
CONTRACTS VALUED BELOW £20,000			
These Rules shall not apply to contracts with an estimated value of less than £20,000. These contracts are governed by the Council's Financial Regulations.	Lose	We want to merge these rules with Fin Reg 15	
CONTRACTS VALUED BETWEEN £20,000 - £50,000			
Where the estimated value of a contract is between £20,000 and £50,000 a minimum of three tenders must be invited for a works[1] contract and a minimum of three written quotations must be invited for a contract for goods[1] or services[1] or		We want to move away from value driven rules and move to more general principles – see new rules below	

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
concessions[1].		However, we don't want a complete free for all so are see the following thresholds as indicative of when behaviour might change: £20 k – call in the experts to decide route to market £75k – likely to need to tender – limit for HOS approval of order EU procurement limits However, these limits don't mean you HAVE to do this if you can justify a different course of action.	
CONTRACTS WITH A VALUE IN EXCESS OF £50,000 BUT NOT EXCEEDING the EU PUBLIC PROCUREMENT THRESHOLDS			
Where the estimated contract value exceeds £50,000 but does not exceed the relevant EU public procurement			

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
threshold (or does not fall within a category subject to the EU public procurement rules) a minimum of three tenders must be invited.			
TRANSPARENCY			
All contract opportunities with an estimated value of £20,000 or more must be advertised on the Council's Business Portal (the South East Business Portal) to seek expressions of interest from suitably qualified suppliers.			
SELECTION OF PERSONS TO BE INVITED TO TENDER OR QUOTE			
Except where the estimated contract value exceeds the relevant EU public procurement threshold, tenders or quotations should be sought from an appropriate number of suitably qualified suppliers who have achieved a business accreditation standard recognised by the Council.			
Suppliers will be considered as accredited to a recognised standard if they are accredited by EXOR for all contracts, Constructionline for works[1] contracts, by BiP Select Accredit for contracts for goods[1] or services[1] or			

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
accreditations with a similar status.			
CONTRACTS WITH A VALUE IN EXCESS OF THE EU PUBLIC PROCUREMENT THRESHOLDS			
Where the estimated contract value exceeds the relevant EU public procurement threshold any contract must be let in compliance with the relevant legal requirements, in particular the Pubic Contracts Regulations 2006 (as amended) and these Rules.			
Where there is a conflict between legislation and these Rules the legislation will prevail.			
INVITATIONS TO TENDER OR SUBMIT QUOTATIONS			
An invitation to tender or submit a quotation shall include: • A description of the works[1], goods[1] or services[1] being procured. • A specification indicating whether variants are permissible. • The Council's terms and conditions of contract. • The evaluation criteria including any weightings.			

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
• The pricing mechanism and instructions for completing the tender sum. • Where there is a potential transfer of employees, the Council's view on whether TUPE will apply. • The form and content of method statements to be provided.			
Invitations to tender or quote shall be sent electronically and tenders and quotations shall be received electronically unless the relevant Director agrees otherwise.			
COLLABORATIVE PROCUREMENT			
Where procurement is undertaken in collaboration with one or more other public authorities the Contract Procedure Rules of one of the other authorities may be used in place of these Rules.	Lose – merge with rule 1		
An invitation to tender or to submit quotations may be made for supply to other authorities in addition to Fareham Borough Council on similar terms.			
BUDGETARY PROVISION			

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
No order shall be placed or quotation or tender invited unless there is sufficient budgetary provision	Lose – merge with new rule		
SUBMISSION AND OPENING OF TENDERS & QUOTATIONS			
All invitations to tender or submit a quotation must specify requirements for their submission. Such requirements shall include a time by which tenders or quotations must be received by the Council.			
TENDERS OPENING & AWARD OF CONTRACTS			
All tenders with an estimated value in excess of £50,000 must be opened by a Democratic Services Officer in the presence of a Corporate Procurement Officer. .			
All contracts must be awarded by officers and members in accordance with the thresholds set out in Appendix 1:			
Notes The authorisation rules in relation to approving orders or signing invoices are laid out in Financial Regulation 4.			

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
AWARD CONTRACT			
<u>Covers</u> Choose supplier with whom orders can be placed (in accordance with procurement rules). Select the winning tender from a procurement exercise.			
<u>Thresholds</u> HOS - £20k Member of CXMT = £50k Executive Portfolio Holder = £150k **Tenders over £150,000 must be awarded by the Executive or appropriate Committee.**			
<u>Additional Rules</u> **All tenders awarded for £50,000 or more must be included in the 6 monthly reports to the Executive.**			
FORM and CONTENTS OF CONTRACTS			
For contracts with a value of £20,000 or more: a) where it is of a lower value and/or lower risk it will be signed under hand by			

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
a relevant authorised officer as per paragraph 15.5; b) where it is of a higher value and/or higher risk it will be executed as a deed and sealed, thus giving the Council greater protection.			
The question whether the contract should be a deed and sealed or simply signed under hand in accordance with Rule 15.1 above, should be decided at the start of the process when legal advice should also be sort as to the terms and conditions to be included.			
The following types of contract must be entered into as a deed: a) Any contract which relates to the acquisition, disposal, or lease of land and property. b) Any contract for works[1] of a value of £20,000 or more. c) Any contracts for works[1] which relate to the structural alteration of a property irrespective of the value, on advice of legal services. d) Any contract for goods[1] or services[1]			

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
of a value of £50,000 or more.			
Contracts not listed in Rule 15.3 do not need to be entered into as a deed, unless there is an appropriate reason to do so.			
SIGN CONTRACT			
Contracts to be signed under hand should be signed by an officer nominated with that level of responsibility as set out in Appendix 1. No officer below the level of Head of Service can sign contracts on behalf of the Council.			
Notes A manual signature must be provided for all post holders who are nominated to be able to sign an agreement.			
Covers Sign under hand a contract awarded under a request for quotes, tenders or sealed bids process. Sign up to an agreement which ties the council into expenditure (e.g. maintenance agreement). Sign up to an agreement which ties the council into a set of terms and conditions			

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
(e.g. grant agreement, IT facility agreement).			
Thresholds HOS - £20k Member of CXMT = £50k Executive Portfolio Holder = not permitted			
ATTEST SEAL ON A DEED			
Any contract to be entered into as a deed should be sealed. The officers authorised to attest the seal are identified in part 1 Chapter 13 of the constitution. In exceptional circumstances where the seal is not available the deed can be signed by 2 officers who are authorised to attest the seal.			
Covers Signing the seal affixed to a document or deed. Execute a deed if the seal is not available			
Thresholds **This authority is set out In Part 1 Chapter 13.8 of the Constitution**. As at August 2011 this permits the following persons to attest the seal: Chief			

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
Executive Officer; the Solicitor to the Council; the Director of Finance and Resources; the Director of Regulatory and Democratic Services. In exceptional circumstances where the seal is not available the deed can be signed by 2 of the officers who are authorised to attest the seal.			
MAINTENANCE OF THE CONTRACT REGISTER			
The Council must maintain a Central Register of all contracts that it has entered into.			
All original and signed copies of a contract, must be held centrally in a secure location for the term of the contract (including any agreed extension periods), plus the statutory limitation period (6 years for contracts under hand, 12 years for deeds) plus two years. They must be referenced back to the Central Register.			
Heads of Service are responsible for ensuring that: • summary details of any contract that has been entered into, that binds		New rule ? **You must be aware of what contracts you have in place**	

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
the Council to the terms and conditions of the contract, have been entered on the Central Register; • the original signed/sealed copies of the contract and any subsequent signed variations, have been stored in the central secure location; • an electronic copy of the contract and any subsequent variations to the contract that are entered into during its lifetime are stored in their service filing areas.		**and where the documentation is held.**	
CONFLICTS OF INTEREST, BRIBERY AND CORRUPTION			
All officers involved with the award of contracts must comply with the Council's Anti-Fraud and Corruption Policy, Anti-Bribery Policy, Guidelines on Gifts and Hospitality and Guidelines on Registering Interests.			
In addition the following rules apply: • No gifts or hospitality, other than simple refreshments, shall be accepted by Officers or members from any bidders to any contract being let by the Council until the time that the contract has been awarded.			

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
• No contract can be wholly awarded or managed by an officer or member who has other interests in the arrangement.			
If it comes to the knowledge of a member or an officer of the Council that a contract in which s/he has a pecuniary interest has been or is proposed to be entered into by the Council, s/he shall immediately inform the Monitoring Officer (in the case of members) or their director (in the case of officers).			
Each contract which the Council enters into shall include a provision which entitles the Council to terminate the contract and recover losses from the contractor resulting from such termination if the contractor or anyone acting on the contractor's behalf has committed or attempts to commit an offence under the Bribery Act 2010, the Local Government Act 1972 or any other relevant prevention of corruption legislation.			
WAIVERS OF CONTRACTS PROCEDURES RULES		**Move to the introductory sections**	
Where a contract has an estimated value of £50,000 or more, the Executive, relevant Executive Member or Committee		May still need if have a monetary value	

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
as appropriate may agree to waive the provisions of these Rules provided that no such waiver shall permit a breach of any relevant domestic or European legislation.			
Where a contract has an estimated value of less than £50,000, a waiver of the provisions of these Rules may be agreed by the Director of Finance and Resources in consultation with the Monitoring Officer.	Keep some sort of waiver	To decide what this should be At low level should be director or CX Add in requirement to record the relevant rationale for the request	*Where a contract has an estimated value of less than £50,000, a waiver of the provisions of these Rules may be agreed by a Director or the CX.* *Any requests to waive CPRs should be documented and include the rationale for the request and the decision.*
EMERGENCIES		**Move to the introductory sections**	
In an unforeseen situation where a Director considers that it would not be in the Council's interests to apply the provisions of these Rules the Chief Executive Officer or in his absence another Director may authorise such a course of action in respect of a procurement which would protect the Council's interests in relation to that emergency. Any action taken under this provision must be reported to the next meeting of the Executive or appropriate Committee. Nothing in this provision authorises the breach of any legal	Change	Need a definition for an emergency in the glossary Threat to life, property, security and the environment. Only applies to waiver above the director level above.	?

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
requirements.			
EXTRA RULES WE NEED TO ADD TO COMPLY WITH THE PROCUREMENT PRINCIPLES			
	New	Finance should be providing HOS with reports detailing spend with suppliers over 4 years. HOS pass this down to their relevant buyers Some work to do to identify in the report what spend comes from their service	**Heads of Service must be aware of what suppliers their service uses and the level of spend with them, and should pass this information down to the relevant buyers in the service.**
	New	Add in definition in the glossary of what we mean by a purchase	**Buyers must act in the best interest of the Council at all times when making purchases. They should therefore be able to justify that:** **a) There is a valid reason for making the purchase** **b) The purchase is affordable and use of a budget for this purpose will be approved** **c) The purchase meets the needs of the customer/service and is fit for purpose** **d) The purchase meets the due**

Current CPR	Keep / Lose / Change	Notes e.g. which Principle	Proposed new wording
			diligence requirements of the council **e) Value for money is achieved at the point of purchase** **f) Consideration is given to the whole life costs of the purchase.**
		See definition of what a purchase is, above	**Early conversations should be held to confirm justification of purchase and the appropriate route to market, when planning a purchase especially if that purchase is new to the service, of a technical nature, of a significant value or anything else where support is needed.** **These should involve the relevant stakeholder, the procurement team, the relevant finance business partner, and other relevant experts.** **A significant value would be a purchase value of over £20,000. (see definition)**

FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date **12 March 2018**

Report of: **Head of Finance and Audit**

Subject: **INTERNAL AUDIT PLAN 2018/19**

SUMMARY

This report presents a draft plan of Internal Audit Work proposed for delivery in 2018/19.

RECOMMENDATION

It is recommended that the Committee approved the draft plan for 2018/19 as attached as Appendix A.

INTRODUCTION

1. In March 2015, the Audit and Governance Committee approved a new Internal Audit Strategy which set out the principles to be used to set the Annual Plan of Internal Audit work.

2. In particular these included:

   a) **Sources of Assurance**: The Annual Head of Audit's Opinion will take into account the findings from: a) individual audit opinion work, b) wider audit work and c) assurance available from other sources. The proportion of time spent on wider work was increased to allow more time to be spent getting to the root cause of problems and helping develop a solution.

   b) **Minimum Audit Level:** The amount of individual audit opinion work carried out is not to fall below 173 days a year, and at least 20 discrete pieces of opinion or wider work will be delivered a year.

   c) **High Risk Audits:** The opinion on all 12 fundamental financial systems will be refreshed every 3 years. It should be noted that as from 2017/18 the external auditors no longer require annual coverage of the Payroll system and Accounts Payable system.

      Audit areas that are considered to be inherently High Risk will be given an audit opinion at least every 5 years. There are 23 of these arising from the latest risk assessment, indicating that at least 4 need to be covered each year.

   d) **Mix of Audit Types**: The plan each year will also include computer audit work (including an application review of a fundamental ICT system) and corporate level audit work or contract audit work on top of the usual audits of services and systems.

3. A draft plan of Internal Audit work for 2018/19 has been collated using these principles, and following discussions with the service managers of the Council.

DRAFT PLAN FOR 2017/18

4. The draft plan prepared for 2018/19 is shown in Appendix A. The following should be noted:

   (a) **Level of Opinion Audit:** There is provision in the plan for 195 days of individual audit opinion work plus an additional contingency of 35 days for the in-house team to support these audits.

   (b) **Number of Assignments:** There are 23 discrete pieces of work included in the plan covering a variety of audit types and departments in the Council. The subjects covered represent approximately 12% of the Audit Universe. There will also be reactive pieces of work completed in the year which will be used to support the Annual Audit Opinion.

   (c) **Vanguard Reviews:** One of the areas of work in the plan (planning applications) relates to a service that has been the subject of a vanguard intervention.

   (d) **Recommendation follow:** There has been a focus in the plan to follow up actions arising from previous pieces of audit work so that an updated status can be added to all actions on the recommendation management database.

RESOURCING THE PLAN

5. Resources available through the partnership with Portsmouth City Council will be used primarily to deliver the Opinion work to ensure independence. Where possible, reciprocal work with Gosport Borough Council's audit team will be used to cover audits of shared services.

6. The wider work will be delivered by a mixture of in-house audit and finance resources and by collaborative working with other teams in the Council.

RISK ASSESSMENT

7. The Council has a statutory requirement to carry out internal audits of services and systems. Delivery of this plan will therefore mitigate the risk of non-compliance.

Background Papers: None

Reference Papers:

Chartered Institute of Public Finance and Accountancy (CIPFA) 2013 – Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards.

Report to Audit and Governance Committee on the Public Sector Internal Audit Standards and Internal Audit Charter on 25th November 2013

Report to Audit and Governance Committee on the Internal Audit Strategy and Annual Plan on 16th March 2015

Enquiries:

For further information on this report please contact Elaine Hammell. (Ext 4344)

APPENDIX A – Draft Internal Audit Plan 2018/19					
	Type	Title	Dept-Lead Service	Days	Reason for Inclusion in Plan
	OPINION WORK				
1	Fundamental Systems	**Accounts Payable**	F-Operational Finance	10	Fundamental system - last opinion given 2016/17
2	Fundamental Systems	**Capital Expenditure & Accounting**	F-Strategic Finance	10	Fundamental system - last opinion given 2015/16
3	Fundamental Systems	**Fixed Assets**	F-Strategic Finance & Property Services	10	Fundamental system - last opinion given 2015/16
4	Fundamental Systems	**Council Tax & NNDR**	F-Local Tax	15	Fundamental system - last opinion given 2015/16
5	Services and Systems - High Risk	**Parking Strategy & Income**	P-Parking & Enforcement & P-Planning Strategy	15	High risk audit - last opinion given 2013/14
6	Services and Systems - High Risk	**Planning Applications**	P-Development Management	15	High risk audit - last opinion given 2013/14. Process changes flowing from vanguard intervention since last opinion.
7	Services and Systems - High Risk	**Housing Communal Services**	H-Housing	10	New High risk audit since 2017/18 due to service charge income exceeding £250k. Last opinion given in 2002/03.
8	Services and Systems - High Risk	**Cemeteries & Closed Churchyards**	T-Street Scene	15	New High risk audit since 2017/18 on basis of higher risk expenditure including capital works. Last opinion given in 2007/08.
9	Services and Systems - High Risk	**Vehicle Management**	T-Street Scene	15	New High risk audit since 2017/18 on basis of capital expenditure. Last opinion given in 2006/7.
10	Services and Systems - High Risk	**Housing Grants and Home Improvements**	P-Environmental Health & F-Property	10	High risk audit - last opinion given 2012/13. Changes of process following partnership with Portsmouth CC.
11	Limited Opinion Follow Up	**Ferneham Hall follow up**	F-Leisure	10	Follow up of High risk audit to give an updated opinion following the 'limited assurance' opinion in 2017/18.
12	Computer - system review	**Orchard (Housing Rents IT system)**	H-Housing	15	Fundamental IT system - last opinion given 2007/08
13	Limited Opinion Follow Up	**Software Control Follow up**	F-ICT	8	Follow up to give an updated opinion following the 'limited assurance' opinion in 2015/16.
14	Services and Systems - Other	**Markets Contract**	P-Environmental Health	5	New contract arrangements in place to deliver service.
15	Services and Systems - Other	**Out of hours service**	Various	12	No previous audit coverage. Review to cover Corporate Standby, Housing Maintenance and Environmental Health.
16	Limited Opinion Follow Up	**Dog Control Follow up**	P-Environmental Health	5	Follow up to give an updated opinion following the 'limited assurance' opinion in 2017/18.
	Contingency			15	
	In-house support			35	
	Total Opinion Work			**230**	

APPENDIX A – Draft Internal Audit Plan 2018/19					
	Type	**Title**	**Dept-Lead Service**	**Days**	**Reason for Inclusion in Plan**
	WIDER WORK				
17	Computer - data analytics	**Insurance claimants who have been the subject of fraud investigations**	F-Strategic Finance		Data match of current insurance claim database to fraud investigation database to identify any claimants at a higher risk of being fraudulent.
18	Corporate / Contract - joint working	**Contract Management**	F-Democratic Services		Following on from Contract Procurement Rules work in 2017/18 to work collaboratively to explore some of the issues arising from the vanguard review of procurement and issues leading to a limited audit opinion in 2009/10.
19	Corporate - joint working	**General Data Protection Regulations - Responding to database search requests**	F-Democratic Services		Collaborative work supporting the new General Data Protection Regulation which comes into force in 2018. Review will look at security, efficiency and accuracy of the Council's response to requests to search our databases.
20	Thematic review	**Write Offs History Analysis & Interest charges**	F-Operational Finance & F-Local tax & H-Housing		Thematic review of different debt themes in the Council looking at when a) interest is added to the debt and b) any lessons learnt from debts that have had to be written off.
21	Post investigation systems work	**Housing Maintenance invoicing and stock control - part 2**	H-Housing		Follow up of the issues arising from the work carried out in 2016/17 and reviewing the impact of the housing department restructure. Completion of testing of areas not completed in first review.
22	Thematic review	**Deceased persons list**	F-Corporate Services		Follow up of the issues raised in 2015/16 about how the council manages notifications of deceased persons.
23	Joint Working Project	**Use of depot storage areas and security of plant, equipment and materials.**	T-Street Scene, T-Building Services		Manager request for joint work to review the hazards and security risks associated with storage at the depot. Low priority audit carried forward from 2017/18 plan.
	Follow Up	**Review of all outstanding IT audit recommendations**			
	Follow Up	**Review of all other outstanding audit recommendations**			

FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date: **12 March 2018**

Report of: **Head of Finance and Audit**

Subject: **QUARTERLY AUDIT REPORT**

SUMMARY

This report provides the assurances arising from the latest internal audit work and gives an update on progress being made with the delivery of the audit plans.

RECOMMENDATION

It is recommended that the Committee notes the progress and findings arising from Internal Audit work.

INTRODUCTION

1. This report highlights the progress made to date on the delivery of the Internal Audit Plans and the assurances that can be obtained from the work now completed.

FINALISING PREVIOUS AUDIT PLANS

2. The current status of the 9 audits remaining from the previous Audit Plans is detailed in Appendix One. Further work has been carried out on another 2 (Leaseholders and Contract Deeds) to facilitate finalisation of the work but we are not yet at the draft report stage.

DELIVERY OF 2017/18 AUDIT PLAN

3. **Changes to the plan**

There have been a number of changes made to the current year's plan as summarised below:

Change	Audit Title	Reason
Additional Work	**Ferneham Hall Stock and Wastage**	**Assist with action implementation** In the main audit in 2017/18 an issue was identified that the stock checks were recording a high level of wastage. Further detailed analysis was therefore carried out to understand the significance of this and any action that could be taken.
Additional Work	**Effectiveness of Ethics Related Activities – follow up surveys**	**Assist with action implementation** Work carried out in 2016/17 resulted in some findings which we have been requested to explore further by use of focus groups and a follow up survey.
Additional Work	**Tree Work Costs – additional analysis**	**Assist with action implementation** Work carried out in 2016/17 confirmed that work was needed to understand the reasons for overspending on Tree budgets. Some analysis has therefore been carried out to provide the managers with additional information.
Additional Work	**Mobile Phone Billing**	**New risk identified** It was noted that the Council was incurring some unnecessary mobile phone charges. Analysis has therefore been carried out to identify the nature of these and actions that can be taken to reduce costs.
Work postponed	Building Service Invoicing and Stock Control (part 2)	Given the changes being implemented with the Fareham Housing service is has been agreed that this work should be postponed to Q3 in 2018/19
Work postponed	Use of depot storage areas and security of plant, equipment and materials	This was a low risk audit added to the plan at a manager's request. Some work has already been carried out by the service such that this work can now be postponed to later in 2018/19.

Completion of Plan

4. Work is progressing on the delivery of the revised audit plan, as noted in Appendix Two, such that a further 5 audits have now been finalised.

FINDINGS FROM COMPLETED AUDITS

5. The five latest final reports that have been issued are listed below with the opinions given and number of recommendations made:

Audit	Assurance Opinion	Recommendations Made		
		New Essential	New Important	Outstanding Previous Essential or Important
Homelessness	Strong	-	1	1
Main Accounting System and Budgetary Control	Reasonable	-	1	-
Ferneham Hall & Databox	Limited	2	10	2
Ferneham Hall Stock and Wastage	N/A	12	23	-
Tree Work costs	N/A	-	-	-

6. Detail of the recommendations made and the actions to be taken is provided in Appendix Three.

RISK ASSESSMENT

7. A number of areas where controls could be strengthened at Ferneham Hall have been identified. Managers are working through the recommendations made and substantial improvement is expected to be found when internal audit next visit in 2018/19.

Appendices:

Appendix One - Update on Outstanding Audits from Previous Plans

Appendix Two - Audits in the 2017/18 Audit Plan

Appendix Three - Findings from the Latest Completed Audits

Appendix Four - Reference Tables

Background Papers: None

Reference Papers:

Report by the Director of Finance and Resources to the Audit and Governance Committee on 10 March 2014 on the Contractor Annual Audit Plan 2014/15

Report by the Director of Finance and Resources to the Audit and Governance Committee on 16 March 2015 on the Internal Audit Strategy and Annual Audit Plan 2015/16

Report by the Head of Finance and Audit to the Audit and Governance Committee on 14 March 2016 on the Internal Audit Plan 2016/17

Report by the Head of Finance and Audit to the Audit and Governance Committee on 17 March 2017 on the Internal Audit Plan 2017/18

Enquiries:

For further information on this report please contact Elaine Hammell. (Ext 4344)

APPENDIX ONE

Update on Outstanding Audits from Previous Plans

The following table shows those audits that were outstanding in the last quarterly report and shows the current position with finalising the work.

Audit Title	Type of Audit**	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
					Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
2014/15										
Income Collection & Banking	Fundamental	15	Stage 8							
Information Governance Opinion	Computer	6	Stage 8							
Contract Completion	Corporate, Specialist, Governance	10	Stage 8							
2015/16										
Land Charges	Service and Systems – HR	12	Stage 8							
Contract Deeds Management	Thematic Review	15	Stage 4							
2016/17										
Daedalus Project	Service and Systems – High Risk	12	Stage 8							
Cloud Based Computing	Computer	15	Stage 8							
Leaseholder Charges	Joint working project		Stage 5							
Building Health and Safety Risks	Follow Up / Joint working project		Stage 5							

* A key to the information in this column is given in Appendix Four.

** V denotes this audit was covering a service which had been subject to a Vanguard intervention

APPENDIX TWO

Audits in the 2017/18 Plan

No.	Audit Title	Type of Audit	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
OPINION AUDITS											
1	**Main Accounting System and Budgetary Control (NEW)**	Fundamental System	11	**Stage 10**	Reasonable	-	1	2	-	-	-
2	Accounts Receivable		15	Stage 5							
3	Income Management		12	Stage 1							
4	Housing Benefits		10	Stage 5							
5	Leisure Centre Contracts	Corporate /contract	10	Stage 4							
6	**Ferneham Hall & Databox (NEW)**	Service and Systems – High Risk	20	**Stage 10**	Limited	2	10	3	-	-	2
7	Commercial Estates		15	Stage 9							
8	Property Maintenance & Inspections at Non-Housing Buildings		15	Stage 1							
9	Developers Contributions		15	Stage 1							
10	**Homelessness (V) (NEW)**		15	**Stage 10**	Strong	-	1	-	-	-	1
11	**Dog Control**	Service and Systems - Other	6	**Stage 10**	Limited	-	7	1	-	-	-
12	**Pest Control**		6	**Stage 10**	Reasonable	-	3	2	1	1	2
13	**Street Furniture**		5	**Stage 10**	Strong	-	1	-	-	-	-
14	Pensions		10	Stage 4							
15	Chipside (Parking IT system)	Computer	12	Stage 3							
16	**Multiple Parking Permits at Single Person Discount Properties**		3	**Stage 10**	Not applicable	-	-	-	-	-	-
17	Outdoor Recreation Follow Up	Follow Up	5	Stage 3							
	Contingency / In-house support		45								
	Total Planned Time		**230**								

No.	Audit Title	Type of Audit	Days in Plan	Stage reached of 10*	Assurance Opinion*	New Recommendations*			Previous Recs. (E and I only)		
						Essential	Important	Advisory	Implemented	Cancelled	Not Implemented
WIDER WORK											
18	IT Procurement and budgets	Thematic Review		Stage 1							
19	Employee Performance Management	Joint working project		Stage 5							
20	Data Protection	Joint working project		Stage 5							
21	Contract Procedure Rules	Joint working project		Stage 4							
22	Risk Inspections of Public Areas	Thematic Review		Stage 1							
	Use of depot storage areas and security of plant, equipment and materials.	Joint working project		Postponed							
	Building Service Invoicing and Stock Control (part 2)	Post investigation systems work		Postponed							
23	**Ferneham Hall Drink and Food Wastage (extra) (NEW)**	Assistance with action		**Stage 10**	Not applicable	12	23	3	-	-	-
24	Effectiveness of Ethics Related Activities – follow up surveys (extra)	Assistance with action		Stage 4							
25	**Tree Work Costs (extra) (NEW)**	Assistance with action		**Stage 10**	Not applicable	-	-	-	-	-	-
26	Mobile Phone Billing (extra)	Thematic Review		Stage 4							

Findings from the Latest Completed Audits

APPENDIX THREE

Audit Title	**Main Accounting System and Budgetary Control**
Year of Audit	**2017/18**
Type of Work	Opinion audit
Assurance Opinion Given	**Reasonable**
Direction of Travel	⇩2013/14

Overview of Subject: The finance section at Fareham Borough Council lead on maintaining the Councils accounts and aiding sound budgetary control. The Council has recently adopted the Finance Business Partner (FBP) model in which the accountants are required to understand the service they support and tailor what they do to meet the needs of the manager they are supporting. A Finance Vanguard review has taken place which included challenge of the budget setting and monitoring process from the services perspective.

The E-Financials accounting software is currently used which was upgraded during 2017/18. The Council carried out a dry run in 2017/18 of meeting the new deadlines for closing the accounts that will be required for next year.

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation (E and I only)		
			Essential (💣)	Important (▲)	Advisory (⚑)	Implemented	Cancelled	Non Implemented
Suspense Accounts			-	-	-	-	-	-
Budget Uploads			-	-	-	-	-	-
High Value Journal Postings			-	-	1	-	-	-
Cost Centres			-	-	1	-	-	-
Validation Checks on Journals			-	-	-	-	-	-
Unexpected Expenditure			-	-	-	-	-	-
Budget Monitoring			-	-	-	-	-	-
Unexpected Income Collection Deficits			-	1	-	-	-	-
Access to Efinancials			-	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	**Review of budget income shortfalls -** Testing of 10 budgets where income was less than 75% than the budget (and above £250) found that 5 were downward trends in some income types which may need to be fed into the revised budgets. **Action:** Discussions are to be held at the Finance Business Partner meetings to establish how Income Budgets are looked at on a rolling basis and how those of material value can be fed in the revised budgets.

Audit Title	**Homelessness**
Year of Audit	**2017/18**
Type of Work	Opinion audit
Assurance Opinion Given	**Strong**
Direction of Travel	⇧ 2013/14

Overview of Subject: Applicants at risk of homelessness can present at the Council Offices housing drop in, or can request advice via email or telephone. If possible, advice is provided in the first instance, which can sometimes resolve the situation. Where advice does not help, and where there is an immediate need the client is placed in Bed & Breakfast accommodation pending enquiries into the situation.

Areas of Scope	Adequacy and Effectiveness of controls		New Recommendations raised			Previous Rec Implementation (E and I only)		
			Essential (💣)	Important (▲)	Advisory (🖒)	Implemented	Cancelled	Non Implemented
Homelessness applications & eligibility			-	-	-	-	-	-
Bed & Breakfast			-	1	-	-	-	1
Private sector leasing			-	-	-	-	-	-
Tenant Rescue Fund			-	-	-	-	-	-
Payments out (to Property Owners)			-	-	-	-	-	-
Debt Collection (from tenants)			-	-	-	-	-	-
Housing Options Advice			-	-	-	-	-	-

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important	There are three main Bed and Breakfast establishments used by the Council to accommodate homelessness cases. The primary establishment is in Fareham, with two further establishments in Gosport being used as and when required due to demand or for other specific reasons. There have been no benchmarking or comparison exercises to confirm that these establishments remain fit for purpose and provide value for money. This will now be undertaken.
Previous Important	Only one of the establishments used for homelessness cases had a current DBS check on record, with others used being out of date or not recorded. Outstanding DBS checks will now be obtained for Bed & Breakfast establishments, and recorded and monitored to ensure that they remain current.

Audit Title	**Ferneham Hall & Databox**
Year of Audit	**2017/18**
Type of Work	Opinion audit
Assurance Opinion Given	**Limited**
Direction of Travel	↓ 2013/14

Overview of Subject: Ferneham Hall is an entertainments venue managed and subsidised by Fareham Borough Council.

Various types of shows and events are put on and the annual income from ticket sales is in the region of £0.5m. The venue has three rooms available for hire which brings in additional income of around £180k plus bar sales in the region of £173k.

The Databox IT system is used in the Box Office at Ferneham Hall to record sales of tickets and other sources of income.

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (💣)	Important (▲)	Advisory (🏳)	Implemented	Cancelled	Not Implemented
Events Policy and Performance			-	-	-	-	-	-
Budget Performance			-	1	-	-	-	-
Income Controls			-	2	1	-	-	-
Internal Recharging			-	1	-	-	-	-
Refunds and Complimentary Tickets			-	2	-	-	-	-
Petty Cash and Floats			-	-	-	-	-	-
Expenditure Control			-	1	-	-	-	-
Use of Procurement Cards			-	1	-	-	-	-
Payphone and Vending Machine			-	1	-	-	-	-
Equipment Control			1	-	-	-	-	-
Drink and Food Stocks			Additional actions arising from further testing in this area reported separately	1	1	-	-	-

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)		
			Essential (💣)	Important (▲)	Advisory (🚩)	Implemented	Cancelled	Not Implemented
Building Security			-	-	-	-	-	-
Management of Volunteers			1	-	-	-	-	-
Management of Casuals			-	-	1	-	-	-
Transfer of Income for Leisure Card			-	-	-	-	-	-
Insurance Provision			-	-	-	-	-	-
Databox Actions and Sign Off			-	-	-	-	-	2

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Essential	**Inventory Records** – The equipment inventories were found to be out of date and no stock checks had been carried out for 3 years. 2/5 items tested from the inventory could not be found. An exercise will now be carried out over the next months to bring the inventories up to date and annual stock checks will be re-introduced.
Essential	**DBS Checks** – Volunteers at Ferneham Hall are required to have a DBS check. There were a large number of volunteers found where the check had not been carried out in the last 3 years. Managers are working to get these in place now.
Important	**Show Performance** – Limited management information was being produced to ascertain how profitable shows were. The new Head of Service had introduced a requirement that this will be carried out after each show and discussed in the monthly meetings.
Important	**Room Hire Charges** – There were a number of hirings where the fee charge was not the standard rate and there were no records of the reduced rate having been authorised. Copies of letters and emails will now be used to show the reason and authorisation for reduced charges being offered.
Important	**Internal Recharges** – There was a poor audit trail of internal room bookings and catering requests so we were unable to confirm that the amount charged through internal recharging and the coding was correct.
Important	**Food Sales Profits** – Financial analysis during the audit indicated that some food lines are not making a profit and some lines could be more profitable if the cost of supplies were reduced. A system is now being set up to analysis the profits made on food lines so that management decisions can be taken on whether to continue.
Important	**Box Office Cashups** – There were a high number of unders and overs arising from the daily box office cashups albeit the net total was small. These are going to be monitored for a period to understand what is causing the imbalances and more investigation of larger imbalances will be carried out.
Important	**Vending machines** – Reconciliations were not always being carried out of the cash emptied from the vending machines and the expected income readings from the machines. These are to be re-introduced.

Weaknesses identified during the audit and the proposed action (Essential and Important only)	
Important x2	**Refunds and Complimentary Tickets** – There is an unclear policy on the use of complimentary tickets and one refund tested had not been authorised. Managers are now developing a clear policy for complimentary tickets and a log book is being set up to record the authorisation of refunds and complimentary tickets.
Important	**Procurement card closedown –** Delays were occurring with the Ferneham Hall confirmation that their procurement card transactions were genuine and coding them up, so that the monthly closedown and entry onto the financial ledger across the Council was being delayed. One officer has now been tasked with carrying out this process for all the procurement cards in a timely manner.
Important	**FBC Supplier endorsement** – It was noted that Ferneham Hall were endorsing a supplier they use on the supplier's website. A clearer policy is needed for the Council on when this is permitted and who should be consulted before proceeding.
Previous Important	**Databox access** – All staff currently use the same generic logon to use the Databox system so transactions cannot be attributed to one person. No discussions have been held with the suppliers to see if there is a way to improve user access in future upgrades, but it is now planned to hold a meeting with them.
Previous Important	**Databox restore** – There has been no testing of Databox to confirm that the backup system can be used to restore the system should it fail. Discussions will now be held with IT as to how this can be tested.
There were also some findings from a review of monthly bar stock checks that indicates that there was a high level of wastage being recorded. This led to further audit testing to understand why and was the subject of 2 extra reports.	

Audit Title	**Ferneham Hall Stock & Wastage**	**Overview of Subject:** In the main Ferneham Hall audit an issue was identified that the monthly bar and food stock checks were recording a high level of wastage. Further detailed analysis was therefore carried out to help identify the causes of the wastage. Other process issues were also explored as they were identified.
Year of Audit	**2017/18**	
Type of Work	Wider work to assist managers	

Weaknesses identified during the audit and the proposed actions

This work identified a number of weaknesses in processes covering:

- The need to produce management information on why wastage has occurred to identify any corrective action that needs to be taken.
- Improvements that could be made to move away from a manual system of recording income taken and provide better management information.
- Improvements needed to the stock check process to improve the accuracy of the information being generated and to understand the reason behind imbalances being recorded.
- A clearer audit trail is needed of multi buys, free items, use of loyalty points and gifts being received from suppliers and how they get used. Clarity has been given on what should also be recorded on the Gifts and Hospitality register.
- Improvements needed to the security of stock held.
- Monitoring of slow moving lines and stock in hand.
- Accounting for movements in ice cream stock.
- Improvements needed to ensure any stock used for other events are recharged appropriately and these are accounted for correctly in the stock check process.
- Improvements needed to how the tills are being used to record the operators, the nature of the sales and errors being recorded
- Improving the security of lunch time bar takings after the tills have been cashed up.

The managers at Ferenham Hall, including the new Head of Service, have been proactive in responding to the issues arising from this work and a detailed action plan is in place, with good progress being made on implementing the actions agreed.

Audit Title	**Tree Work Costs**	**Overview of Subject:** The audit of the "Protection of Trees" carried out in 2015/16 concluded that, given the current level of overspending, some project work was needed to understand the nature of the tree costs being incurred and to decide what level of service the Council wishes to resource. This piece of audit work aimed to provide more information on the nature of the spend, to feed into the wider corporate project in progress.
Year of Audit	**2017/18**	
Type of Work	Wider work to assist managers	

Conclusions from the audit and the proposed actions

The total spend on trees in 2015/16 was approximately £285,000.

This work identified that there were the following 6 sources of cost:

Enquiries from the public	35%
Programmed Inspection work	34%
Other costs e.g. tree planting	17%
Other incidental works identified by FBC/HCC officers	8%
Insurance claim works	4%
Emergency works	3%

Most of the costs were for works on Parks and Open Spaces followed by Whitely, then Housing locations; with spend starting to come through for the cold east site.

This information has been fed back to the project group who are then working on the following actions:

- Review the basis of the risk assessments that govern the inspection regime and how these relate to remedial works undertaken, emergency works and insurance claims.
- Develop thinking on what level of tree service the Council wants to continue to fund.
- Follow through the legal agreement on the maintenance contributions for the cold east site, to the actual spend on the site to date and projected for the future.

APPENDIX FOUR

Reference Tables

1. Scale of Assurance Opinions

Strong	There is a strong system of control designed and operating effectively. Any weaknesses found were low impact and do not significantly affect key controls or the achievement of the objectives of the system.
Reasonable	There is basically a sound system of internal control but weaknesses were found in system design or compliance, which result in some risk to the achievement of the system objectives.
Limited	There are some weaknesses in the system of control designed or the level of compliance which result in significant risk to the achievement of the system objectives.
Minimal	Fundamental weaknesses have been identified such that many key controls are absent or not operating effectively which may put at risk the achievement of the corporate control objectives.

2. Scale of Recommendation Priorities

Essential	A fundamental weakness in the control system which presents immediate risk to the service or system of a significant nature. Requires urgent attention by management. Reported to the A&G Committee and implementation of proposed actions are monitored.
Important	A significant control weaknesses where the risk is not imminent or only of a moderate nature. This needs addressing but is not urgent. Reported to the A&G Committee and implementation of proposed actions are monitored.
Advisory	A weakness or opportunity for improvement where the risk poses no great threat and is relatively minor. Consideration should be given to addressing the weakness if there is the appetite and/or capacity to implement the improvements. Actions are not tracked.

3. Stages of An Audit Assignment

Stage 1	The Audit teams have started drawing up the scope of coverage for the assignment.
Stage 2	A scoping meeting has been held with the Sponsor in the client service.
Stage 3	The Terms of Reference for the Assignment have been finalised.
Stage 4	The Auditor has started to deliver the agreed scope of work.
Stage 5	The work completed by the Auditor is being reviewed by their manager.
Stage 6	An exit meeting has been held with the Sponsor giving the preliminary feedback from the work.
Stage 7	Any additional testing identified has been completed.
Stage 8	The draft report has been received by the in-house audit team.
Stage 9	The draft report has been issued to the Service Sponsor and is awaiting their response.
Stage 10	The final report has been issued.

FAREHAM
BOROUGH COUNCIL

Report to
Audit and Governance Committee

Date **12 March 2018**

Report of: **Head of Finance and Audit**

Subject: **ANNUAL AUDIT AND GOVERNANCE COMMITTEE REPORT, WORK PROGRAMME AND TRAINING PLAN**

SUMMARY

This report summarises the work carried out by the Audit and Governance Committee during 2017/18 and proposes the programme of work for 2018/19.

RECOMMENDATION

It is recommended that the Committee: -

(a) notes the contents of the report; and

(b) submit the work programme for 2018/19, as shown in Appendix A, to Council for endorsement.

INTRODUCTION

1. This annual report summarises how this Committee has performed during 2017/18 in relation to its purpose and functions set out in the constitution.

COMMITTEE ORGANISATION 2017/18

2. The Committee continued to operate this year in accordance with best practice as detailed in the Chartered Institute of Public Finance and Accountancy (CIPFA) publication "Audit Committees – Practical Guidance for Local Authorities".

3. The Committee met four times in the year and reported directly to the Council. It was comprised of seven members who reflect the political balance of the Council. The chairman of the Committee for the year had no Executive or Scrutiny Board responsibilities during the year. The committee was supported in its work by the Director of Finance and Resources.

COMMITTEE ACTIVITY IN 2017/18

4. The work being carried out by the Committee to fulfil its responsibilities is reported as a work programme to each Committee. The following points should be noted:

   (a) The Committee was not requested to review any issues by the Chief Executive Officer, any director or Council body during the year.

   (b) There were no issues arising from the review of the Statement of Accounts and subsequent external audit report that the Committee felt needed to be brought to the attention of the Council.

   (c) The Committee requested further updates to be provided at future committees in respect of:

   - Framework agreements (planned for March 2018)
   - Roll out of the new approach to Risk Management (completed September 2017)
   - Action plan following the contract completion audit (still to come)

5. All reports in the original work programme were presented to the Committee, although it is noted that the work on the Council's Contract Procedure Rules and Financial Regulation 15 is still progressing.

6. There were four additional pieces of work carried out by the Committee in addition to the original work programme set in March 2017 which are listed below:

July 2017	Updates to Financial Regulation 19 – Write-offs
November 2017	Vanguard review of the Council's procurement process Updates on legal issues – General Data Protection Regulation
March 2018	Constitution updates

TRAINING EVENTS

7. Members of the Committee received a briefing on current Procurement arrangements and how these are being challenged, during their meeting in November 2017. At the same meeting, they also received a briefing on the changes coming in with the General Data Protection Regulation in May 2018.

8. A specific briefing session has also been provided to a member of the Committee joining during the year.

WORK PROGRAMME 2018/19

9. The proposed work plan for the Committee for 2018/19 is attached as Appendix A.

RISK ASSESSMENT

10. There are no significant risk considerations in relation to this report

CONCLUSION

11. The work programme in place is appropriate to meet the responsibilities of the Committee.

Appendices: Appendix A – Proposed Work Programme for 2018/19

Background Papers: None

Reference Papers: Minutes of and reports to Audit and Governance Committee for the Municipal Year 2017/18

Enquiries:

For further information on this report please contact Elaine Hammell (Ext 4344)

APPENDIX A

WORK PROGRAMME FOR 2018/19

Committee Function and Report Subject		Frequency	Last Covered	July 2018	September 2018	November 2018	March 2019
COMMITTEE WORKING ARRANGEMENTS							
Review of Work Programme and training plan		Quarterly	2017-18	**YES**	**YES**	**YES**	**YES and Annual Report**
Review of the Functions of the Committee		3 yearly	2016-17				
Review of the Constitution		As needed	2017-18				
ETHICAL FRAMEWORK AND STANDARDS							
Standards of Conduct	Review of Code of Conduct for Members	As needed	2015-16				
	Review of member / officer protocol	As needed	2008-09				
	Overview of Complaints against the Council	Annual	2017-18		**YES**		
Member Training and Development	Review of Members Training and Development Programme	As needed	2015-16				
GOVERNANCE FRAMEWORK							
Framework	Local Code of Corporate Governance	As needed	2016-17				
	Annual Governance Statement	Annual	2017-18	**YES**			
Key Policy	**Review of Financial Regulations**	3 yearly	2017-18		**YES**		
	Review of Contract Procedure Rules	3 yearly	2017-18		**YES**		
	Treasury Management Policy and Strategy	Annual	2017-18			**YES**	**YES- Policy and indicators**
Risk Management	Policy	As needed	2016-17				
	Risk Management Monitoring Reports	6 monthly	2017-18		**YES**	**YES**	
	Business Continuity	3 yearly	2014-15			**YES**	
	Specific Risk Management topics	As needed	None				
Counter Fraud	Counter Fraud Policy and Strategy	3 yearly	2016-17				
	Anti-Bribery Policy	As needed	2011-12				
	Sanctions and Redress Policy	As needed	2016-17				
	Counter Fraud Progress	Annually	2016-17	**YES**			
INTERNAL AUDIT ASSURANCE							

Committee Function and Report Subject	Frequency	Last Covered	July 2018	September 2018	November 2018	March 2019
Internal Audit Strategy	3 yearly	2014-15				**YES**
Internal Audit Annual Plan	Annual	2017-18				**YES**
Quarterly Audit Reports	Quarterly	2017-18	**YES**	**YES**	**YES**	**YES**
Head of Audit's Annual Opinion	Annual	2017-18	**YES**			
EXTERNAL ASSURANCE						
Update on Arrangements for Appointment of External Auditors	As needed	2017-18				
Annual Plan and Fee	Annual	2017-18				**YES**
Annual Audit Letter	Annual	2017-18			**YES**	
Annual Certification Report	Annual	2017-18				**YES**
Specific reports from inspection agencies	As needed	2014-15 (RIPA)	**YES**			
STATEMENT OF ACCOUNTS						
Statement of Accounts	Annual	2017-18	**YES**			
External Audit – Audit Results Report	Annual	2017-18	**YES**			
OTHER						
Updates on legal issues	As needed	2017-18				
Issues referred from the Chief Executive Officer, Directors and Other Council Bodies	As needed	None				
		Number of Items	8	6	6	7