

# FAREHAM

BOROUGH COUNCIL

## AGENDA

### AUDIT AND GOVERNANCE COMMITTEE

**Date:** Monday, 23 September 2019

**Time:** 6.00 pm

**Venue:** Collingwood Room - Civic Offices

**Members:**

Councillor J E Butts (Chairman)

Councillor S D Martin (Vice-Chairman)

Councillors P J Davies

T Davies

Mrs T L Ellis

Mrs C Heneghan

J G Kelly

**Deputies:** I Bastable

J S Forrest



**1. Apologies**

**2. Minutes (Pages 5 - 8)**

To confirm as a correct record the Minutes of the Audit and Governance Committee meeting held on the 22 July 2019.

**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 Letter (Pages 9 - 34)**

To consider a report by the Deputy Chief Executive Officer which presents the External Auditor's Annual Letter summarising the findings from the 2018/19 audit.

**7. Annual Ombudsman Reports and Overview of Complaints Against Members (Pages 35 - 46)**

To consider an annual report by the Director of Leisure and Community giving an Overview of the Complaints against the Council in 2018/19.

**8. Review of Financial Regulations (Pages 47 - 112)**

To consider a report by the Deputy Chief Executive Officer reviewing the Council's Financial Regulations.

**9. Review of the Functions of the Audit and Governance Committee (Pages 113 - 126)**

To consider a report by the Head of Finance and Audit following the 3-yearly review of the functions of the Audit and Governance Committee.

**10. Risk Management Monitoring (Pages 127 - 164)**

To consider the latest six-monthly report from the Head of Finance and Audit.

**11. Internal Audit Progress Report (Pages 165 - 176)**

To consider the latest Internal Audit Progress Report by the Head of Finance and Audit.

**12. Review of Work Programme (Pages 177 - 180)**

To consider a report by the Head of Finance and Audit reviewing the Work Programme for 2019/20.



P GRIMWOOD  
Chief Executive Officer  
Civic Offices  
[www.fareham.gov.uk](http://www.fareham.gov.uk)  
13 September 2019

**For further information please contact:**  
**Democratic Services, Civic Offices, Fareham, PO16 7AZ**  
**Tel:01329 236100**  
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# FAREHAM

BOROUGH COUNCIL

## Minutes of the Audit and Governance Committee (to be confirmed at the next meeting)

**Date:** Monday, 22 July 2019

**Venue:** Collingwood Room - Civic Offices

**PRESENT:**

**Councillor** J E Butts (Chairman)

**Councillor** S D Martin (Vice-Chairman)

**Councillors:** P J Davies, T Davies, Mrs C Heneghan, J G Kelly and I Bastable (deputising for Mrs T L Ellis)

**Also  
Present:**



**1. APOLOGIES**

An apology of absence was received from Councillor T L Ellis.

**2. MINUTES**

RESOLVED that the minutes of the Audit and Governance Committee meeting held on the 11 March 2019 be confirmed and signed as a correct record.

**3. CHAIRMAN'S ANNOUNCEMENTS**

There were no Chairman's announcements made at this meeting.

**4. DECLARATIONS OF INTEREST AND DISCLOSURES OF ADVICE OR DIRECTIONS**

Councillor P Davies declared a pecuniary interest in relation to Minute item 7 – Statement of Accounts, as he claims a Hampshire County Council pension.

**5. DEPUTATIONS**

There were no deputations made at this meeting.

**6. EXTERNAL AUDIT - AUDIT RESULTS REPORT**

*At the agreement of the Chairman this item was brought forward on the agenda to allow the Committee to consider this item prior to approving the Statement of Accounts.*

At the agreement of the Chairman the recommendation was altered from the original report, to illustrate that the letter of representation was not signed until the Committee had considered item 7 – Statement of Accounts.

The Committee considered a report by the Deputy Chief Executive Officer on the External Auditors' (Ernst & Young LLP) annual results summarising findings from their audit of the 2018/19 Statement of Accounts.

RESOLVED that the Audit and Governance Committee noted the contents of the Annual Results Report (Appendix A).

**7. STATEMENT OF ACCOUNTS**

The Committee considered a report by the Deputy Chief Executive Officer on the Statement of Accounts for 2018/19.

Councillor P Davies declared a pecuniary interest for this item as he claims a Hampshire County Council pension.

An updated version of Appendix A – Statement of Accounts was tabled at the meeting and is attached to these minutes. The changes are highlighted throughout the document and relate to the required changes to the provisions for the Local Government Pension Scheme following the McCloud judgement.

The Finance Manager addressed the Committee to run through the key issues and matters of interest set out in the covering report. The highlighted updates in the tabled – Statement of Accounts at Appendix A were explained in more details to the Committee and noted.

The Finance Manager addressed the Committee to run through the key issues and matters of interest. The updates to the Statement of Accounts were explained in more detail and the Committee were asked to note some of the figures in the main report would now be incorrect due to the last-minute updates highlighted in Appendix A.

RESOLVED that: -

- (a) the Committee approved the audited Statement of Accounts for 2018/19, as attached in Appendix A to the report, for publication by the 31 July 2019, subject to the external auditors completing their outstanding procedures and any further amendments being agreed by the Deputy Chief Executive Officer in consultation with the Chairman of the Audit and Governance Committee; and
- (b) the Deputy Chief Executive Officer and the Chairman of the Audit and Governance Committee sign the Letter of Representation at minute Item 6 – Appendix B, subject to the external auditors completing their outstanding procedures and any further amendments to the accounts being agreed by the Deputy Chief Executive Officer in consultation with the Chairman of the Audit and Governance Committee.

## **8. ANNUAL COUNTER FRAUD REPORT**

The Committee considered the Annual Counter Fraud report by the Head of Finance and Audit.

RESOLVED that the Committee noted the contents of the report.

## **9. INTERNAL AUDIT PROGRESS REPORT**

The Committee considered the latest Internal Audit Progress report by the Head of Finance and Audit.

RESOLVED that the Committee noted the progress and findings arising from the Internal Audit work.

## **10. HEAD OF AUDITS ANNUAL OPINION**

The Committee considered a report by the Head of Finance and Audit on the Head of Audits Annual Opinion.

Members discussed the Dog Control audit regarding when it would no longer get a limited assurance opinion. The Head of Finance and Audit reassured the Committee that work is being carried out by the service, using a Vanguard approach, which it is hoped would allow the opinion to improve. It was agreed through the Chairman that if this audit was to remain limited after the changes

to the service had been implemented, this matter would then be referred to the relevant Scrutiny Panel to investigate further.

Members agreed that further details on the actions taken to address Cyber security risks should be brought to the Committee to allow the Committee to perform its role in relation to information technology governance. It was agreed that this would be discussed at item 12 - Work Programme.

RESOLVED that the Committee noted the contents of the report as a source of evidence for the 2018/19 Annual Governance Statement.

## **11. ANNUAL GOVERNANCE STATEMENT**

The Committee considered a report by the Head of Finance and Audit on the 2018/19 Annual Governance Statement.

Members discussed the wording in the last paragraph on page 226 relating to the Solent Airport (Daedalus). The Deputy Chief Executive Officer addressed the Committee to advise that the D-Day 75 Celebrations table top exercise and reference to the live exercise should in fact be separate points within the Annual Governance Statement and should be amended accordingly.

RESOLVED that the Committee: -

- (a) identified that a change in the last paragraph on page 226 relating to the Solent Airport (Daedalus) is required to separate the reference to the D-Day 75 table top exercise and the live exercise; and
- (b) following the above amendment being made, approved the Annual Governance Statement for 2018/19, as attached in Appendix C of the report.

## **12. REVIEW OF COMMITTEE WORK PROGRAMME**

The Committee considered a report by the Head of Finance and Audit reviewing the Committee's Work Programme and Training Plan.

As agreed at item 10 – Head of Audits Annual opinion - Members agreed that a session on cyber risks and IT security should be provided within the work programme to allow the Committee to perform its role in relation to information technology governance. It was suggested that this would need to be a closed session but open to all members at the Chairman's invitation.

It was agreed that the item refreshing the Counter Fraud Policy and Strategy would be deferred to next year to make room for this session.

RESOLVED that the Committee, with the addition of an item on Cyber Security being added to the work programme, approved the work programme for the rest of the municipal year, as shown at Appendix A to the report.

(The meeting started at 6.00 pm  
and ended at 7.57 pm).



# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 September 2019  
**Report of:** Deputy Chief Executive Officer  
**Subject:** EXTERNAL AUDIT ANNUAL LETTER

#### SUMMARY

This report presents the External Auditor's Annual Audit Letter which summarises the findings from the 2018/19 audit.

*The Audit and Governance Committee's area of responsibility for External Audit includes:*

*To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.*

#### RECOMMENDATION

It is recommended that the Committee notes the contents of the Annual Audit Letter 2018/19 submitted by the Council's external auditors, attached as Appendix A.

**Appendix A:** Ernst and Young Annual Audit Letter 2018-19

**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

Annual Audit Letter for the year  
ended 31 March 2019

August 2019

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Focused on your future



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)).

This 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 April 2018)' issued by PSAA set 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



# 01 Executive Summary



# Executive Summary

We are required to issue an annual audit letter to Fareham Borough Council (the Council) following completion of our audit procedures for the year ended 31 March 2019.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

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Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

## Executive Summary (cont'd)

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As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 11 July 2019
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 31 July 2019

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

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Kevin Suter  
Associate Partner  
For and on behalf of Ernst & Young LLP



## 02 Purpose and Responsibilities





# Purpose and Responsibilities

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the 22 July 2019 Audit and Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

## Responsibilities of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 1 February 2019 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2018/19 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the return.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



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# Financial Statement Audit

## Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31 July 2019.

Our detailed findings were reported to the 22 July 2019 Audit and Governance Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 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.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business</p>

## Financial Statement Audit (cont'd)

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The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.</p> <p>We identified in our planning the incentive and opportunity to classify revenue spend as capital.</p>	<p>We:</p> <ul style="list-style-type: none"><li>• Documented our understanding of the controls relevant to this significant risk and considered they have been appropriately designed;</li><li>• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;</li><li>• Amended our sample sizes when testing capital additions to reflect the existence of this risk. Agreed samples to source documentation to ensure the classification was reasonable; and</li><li>• Reviewed whether management were inappropriately processing journals that transferred amounts from revenue to capital.</li></ul> <p>Our testing did not identify any material misstatements from revenue and expenditure recognition.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other financial statement risk	Conclusion
<p>Valuation of land and buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>We focused on the following:</p> <ul style="list-style-type: none"> <li>• The adequacy of the scope of the work performed by the valuer including their professional capabilities;</li> <li>• The reasonableness of the underlying assumptions used by the Council's expert valuer; and</li> <li>• Assets not subject to valuation in 2018/19 to confirm whether the remaining asset base was not materially misstated</li> </ul>	<p>We reviewed the instructions and data provided to the valuer by the Council. We identified no issues.</p> <p>We reviewed assets not subject to valuation in 2018/19 and confirmed that the remaining asset base was not materially misstated.</p> <p>We reviewed the relationship of the valuer to the Council and identified no issues.</p> <p>Our review of accounting entries at period end and those journals made in processing valuation adjustments did not reveal any instances of management intention to misreport the financial position. However, we did identify one item within Other Land and Buildings that was incorrectly calculated due to the omission of demolition and other fees in the valuation under the Depreciated Replacement Cost method. Management opted not to correct the accounts and we reported an unadjusted error of £72k in our Audit Results Report.</p>
<p>Pension Asset valuation</p> <p>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.</p> <p>The Council's pension fund deficit contains material estimations and the Code requires that this asset be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £59.224mn.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p> <p>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.</p>	<p>We obtained assurances from the auditors of Hampshire Pension Fund that the information supplied to the actuary in relation to Fareham Borough Council was accurate and complete.</p> <p>We assessed and were satisfied with the competency and objectivity of the Council's actuaries: Aon Hewitt. We have reviewed the work of the actuaries. We challenged the actuarial valuation and found no indication of management bias in this estimate.</p> <p>Our review of accounting entries at period end and those journals made in processing valuation adjustments did not reveal any misstatements.</p> <p>We identified an adjusting event after reporting date relating to the pension fund liability, the effect of which increased past service cost and gross liability. The Council contacted the actuary for an updated IAS 19 report and amended the accounts. However, the new IAS 19 report did not take into account the effect of guaranteed minimum pension indexation thereby understating the net pension liability and we reported an unadjusted error of £351k in our Audit Results Report.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other financial statement risk	Conclusion
<p><b>NDR Appeals Valuation</b></p> <p>The Code of Practice on Local Authority Accounting requires the Council to account for NDR income (business rates) on an accruals basis. Therefore, the Council is required to consider a provision for the outcome of any appeals to business rates</p> <p>The Non Domestic Rates Appeals Provision is a material balance in the financial statements which requires a number of assumptions and judgements.</p>	<p>We have reviewed the calculation of the provision and confirmed that the calculation used a 4.7% national guideline to determine the estimate of outstanding appeals. This did not take into account local considerations. Our recalculation resulted in a £438k understatement. Management have opted not to amend the accounts and we reported this as an unadjusted error in our Audit Results Report.</p> <p>We confirmed that the provision considered unlodged appeals.</p> <p>We reviewed the assumptions, methods and models used by management's specialist. We identified no issues.</p> <p>Our post year-end review of appeals settled identified no issues.</p>
<p><b>New Accounting Standards – IFRS 9</b></p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and changed how financial assets are classified and measured, how the impairment of financial assets are calculated, and the disclosure requirements for financial assets.</p>	<p>We reviewed the authority's implementation arrangements and impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. We identified no issues.</p> <p>Financial instruments were appropriately classified and valued in line with the requirements of IFRS 9.</p> <p>We reviewed the new expected credit loss model impairment calculations for assets and identified no issues.</p> <p>Additional disclosure requirements were in line with the requirements of IFRS 9.</p>
<p><b>New Accounting Standards – IFRS 15</b></p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>Where the standard is relevant, the recognition of revenue will change and new disclosure requirements introduced</p>	<p>We reviewed the authority's implementation arrangements and impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. We identified no issues.</p> <p>For relevant revenue streams we confirmed that revenue was recognised appropriately, and disclosure requirements were in line with the requirements of IFRS 15 and the CIPFA Code.</p>

## Financial Statement Audit (cont'd)

### Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £1.377mn (2018: £1.333mn), which is 2% of gross revenue expenditure reported in the draft accounts of £57.589mn adjusted for other operating expenditure, other financing and investment expenditure and Housing Revenue Account Dwellings revaluation gain.</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit and Governance Committee that we would report to the Committee all audit differences in excess of £0.068mn (2018: £0.066mn).</p>

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We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits.
- ▶ Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



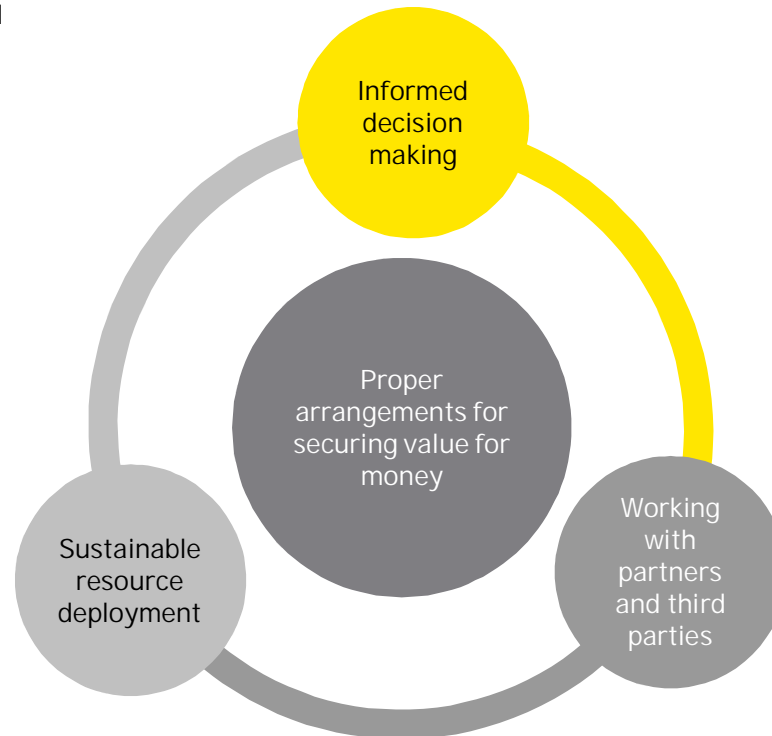
# 04 Value for Money



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

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.



We did not identify any significant risks in relation to these criteria.

We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 31 July 2019.



05

## Other Reporting Issues



## Other Reporting Issues

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### Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. The Council is below the specified audit threshold of £500mn. Therefore, we were not required to perform any audit procedures on the consolidation pack

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Other Reporting Issues (cont'd)

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### Independence

We communicated our assessment of independence in our Audit Results Report to the Audit and Governance Committee on 22 July 2019. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

### Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

Our audit did not identify any controls issues to bring to the attention of the Audit and Governance Committee.



# 06 Focused on your future



# Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>
IASB Conceptual Framework	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> <li>- new definitions of assets, liabilities, income and expenses</li> <li>- updates for the inclusion of the recognition process and criteria and new provisions on derecognition</li> <li>- enhanced guidance on accounting measurement basis</li> <li>- enhanced objectives for financial reporting and the qualitative aspects of financial information.</li> </ul> <p>The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



# 07 Audit Fees

## Audit Fees

The table below sets out the scale fee for 2018/19 and our final proposed audit fee.

Description	Final Fee 2018/19 £	Planned Fee 2018/19 £	Scale Fee 2018/19 £	Final Fee 2017/18 £
Total Audit Fee – Code work	38,545*	37,137	37,137	48,230
Total Audit Fee	38,545	37,137	37,137	48,230
Non-audit work - Claims and returns	N/A	N/A	N/A	18,391

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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\*The proposed final fee includes £1,026 in respect of additional work required to gain assurance over the restatement of gross income and gross expenditure within the various portfolios as a result of changes to Council's revised portfolio structure. The restatements affected the Comprehensive Income and Expenditure Statement, the Expenditure and Funding Analysis and the related notes.

The proposed final fee also includes £382 for work needed to be undertaken on aspects of housing benefit income and expenditure which would previously have been performed as part of HB certification. This had to be done separately this year as we are not the HBAP reporting accountant, therefore, increasing the scope where remuneration would previously have been under HBCOUNT principle through HB certification work. The detail of this work is as follows:

Module 2: Establishing that the system parameters had been appropriately updated to ensure the correct calculation of benefit awarded.

Module 5 - Ensuring that:

- (1) The system has been upgraded to the latest subsidy software, therefore, correctly producing figures for the subsidy claim – including supplementary adjustment reports - which is the basis of the annual income and any dr/cr compared to payments on account.
- (2) Reconciliation of the draft claim form to the Financial Statements.
- (3) The system has been balanced, and benefit awarded can be reconciled to (a) the subsidy claimed, and (b) reconciles to the general ledger and financial statements of the authority recording the expenditure recognised for the year.

This work was undertaken by audit staff, with supervision from the audit senior. The above are yet to be agreed with the S151 Officer and is subject to approval by PSAA.



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# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 September 2019

**Report of:** Director of Leisure and Community

**Subject:** ANNUAL OMBUDSMAN REPORTS AND OVERVIEW OF COMPLAINTS AGAINST MEMBERS

#### SUMMARY

This report informs members of the number of complaints made to the Council via the Local Government and Social Care Ombudsman, the Housing Ombudsman Service and of any complaints in respect of breaches of the Code of Conduct for Members for the year up to 31 March 2019.

*The Audit and Governance Committee's areas of responsibility for Standards and Ethics include: -*

- a) Receive, consider and, where necessary, act on reports, guidance and advice from the Council's Monitoring Officer and the Local Government Ombudsman.*
- b) Consider complaints against members' conduct and assess allegations of breaches of the Code of Conduct for Members to determine such complaints*

#### RECOMMENDATION

It is recommended that the Committee notes the contents of the report.

## **INTRODUCTION**

1. One of the functions of the Audit and Governance Committee, set out in the Constitution, is to advise on an internal framework of standards of conduct that should be followed by members and officers. To assist the Committee in carrying out this role, it is considered helpful to provide information concerning complaints made to, or about, the Council, its members and officers.
2. Many matters which could be termed as complaints might more properly be termed as service requests, and others are dealt with by the relevant departments as part of their normal duties (e.g. a missed refuse bin). Such requests are not covered by this report.
3. Where a matter has not been resolved straight away, the Council's corporate complaints procedure is followed, and the matter is dealt with as a formal complaint. The procedure applies to most complaints, but there are some cases which are treated in a different way. The Council lets the complainant know if this is the case.
4. The formal complaints procedure is a two-stage process. Under Stage 1, the Head of Service in the department responsible will investigate the complaint. If the matter remains unresolved it will proceed to Stage 2 where the Director of the department responsible will review the complaint.
5. A complainant who is still not satisfied with the Council's explanation or resolution, after both stages of the complaints process have been followed, has the right to contact the Local Government and Social Care Ombudsman (LGSCO). Such cases are considered in this report together with the Ombudsman's annual letter.
6. In addition, tenants and leaseholders of housing associations and local authorities can contact the Housing Ombudsman Service, who will also investigate housing complaints that fall within their jurisdiction under the Housing Act 1996.
7. Complaints about the conduct of members which involve possible breaches of the Council's Code of Conduct for Members are not dealt with under the Council's formal complaints procedure. Since the implementation of the Localism Act the members' standards responsibility became the responsibility of the Audit and Governance Committee and its Standards Sub Committee.

## **COMPLAINTS TO THE LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN AND THE HOUSING OMBUDSMAN SERVICE**

8. The LGSCO's annual review letter, Appendix A, shows that no complaints were upheld against the Council in the last financial year.
9. The Housing Ombudsman Service identified service failure in respect of a complaint they had received during 2017/18. An order was therefore made to the Council, setting out the remedies that the Council was required to implement to put matters right.

## **ENQUIRIES AND COMPLAINTS RECEIVED**

10. In 2018/19 the LGSCO received a total of 8 complaints about the Council and made 11 decisions. Cases are not always received and decided within the same financial year, which explains the discrepancy between the figures; the LGSCO uses the received date and decision date to determine the year for each. In 2017/18 there were 10 complaints and 7 decisions. In 2018/19 all 8 complaints received were decided within the same

year, with the remaining three decisions relating to complaints received during 2017/18.

11. The complaints received by the LGSCO related to several different service areas, which are summarised below. The titles are determined by the LGSCO so do not directly correlate with the services delivered by the Council:
  - (a) 3 for Planning and Development
  - (b) 3 for Corporate and Other Services
  - (c) 2 for Housing
12. The points below provide details of the outcome of the 11 decisions made by the LGSCO in 2018/19:
  - (a) 1 not upheld – the LGSCO carried out a detailed investigation but the complaint was not upheld.
  - (b) 2 referred back for local resolution – the LGSCO found the complaint was taken to them too early and hadn't yet gone through the Council's complaints procedure. No further information is available on these as we are reliant upon the complainant contacting the relevant department with their complaint directly.
  - (c) 6 closed after initial enquiries – the LGSCO considered the complaint but decided against completing a full investigation.
  - (d) 2 advice given – the LGSCO provided early advice or explained where to go for the right help.
13. Of the 8 complaints received and 11 decisions made in 2018/19, only one complaint resulted in the LGSCO carrying out a detailed investigation. The result of this investigation was that the complaint was not upheld. As no complaints to the LGSCO were upheld against Fareham Borough Council in 2018/19, there were no remedies that the Council needed to implement.
14. In addition to those complaints and enquiries received by the Local Government and Social Care Ombudsman, tenants and leaseholders of housing associations and local authorities can contact the Housing Ombudsman Service, who will investigate housing complaints that fall within their jurisdiction. No complaints about Fareham Borough Council were received by the Housing Ombudsman Service during the 2018/2019 year.
15. In 2017/18, the Housing Ombudsman Service received one complaint, relating to how the Council, as the landlord, had handled allegations of anti-social behaviour. The decision was not made until 2018/19, where the Housing Ombudsman Service determined that there was service failure in how the Council handled the anti-social behaviour allegations that had been received about the complainant. In this instance, the Council was ordered to apologise to the complainant and to make a payment for the distress and inconvenience caused.

## **PERFORMANCE OF HAMPSHIRE DISTRICT COUNCILS**

16. For the year ended 31 March 2019, the LGSCO received 134 complaints and enquiries in respect of Hampshire District Councils, including Fareham Borough Council. This is an increase on the 128 complaints received during the previous year. The lowest number of complaints and enquiries was received for Gosport Borough Council, with 3. New Forest District Council received the highest number of complaints and enquiries,

with a total of 21. Complaints and enquiries relating to Planning and Development were the most frequent type with 50, which is more than double the number of the next most common complaint type.

17. For the year ended 31 March 2019, the LGSCO made a total of 126 decisions in respect of Hampshire District Councils, including Fareham Borough Council. Gosport Borough Council had the lowest number of decisions, with 3. New Forest District Council received the highest number of decisions, which resulted in 1 (out of 20) decisions being upheld. East Hampshire District Council had the most decisions upheld with 4 (out of 17). Fareham Borough Council was one of 4 Councils in Hampshire to receive no upheld decisions in 2018/19, with the other three being Eastleigh, Gosport and Rushmoor Borough Councils.
18. No information is available from the Housing Ombudsman Service regarding the number of complaints and enquiries received in respect of other Hampshire District Councils.

### **COMPLAINTS IN RESPECT OF BREACHES OF THE MEMBERS CODE OF CONDUCT**

19. The Council has a duty to make arrangements to receive and consider complaints made against Councillors in Fareham. The responsibility for carrying out this function lies with the Council's Monitoring Officer.
20. Complaints can be received in writing, via email or by completing an online complaint form that is available on the Council's website. All complaints are taken seriously and are recorded and investigated by the Monitoring Officer, who evaluates each one against the code of conduct.
21. For the period 1 April 2018 to 31 March 2019, seven formal complaints against members were received by the Monitoring Officer, a decrease of nine when compared to the previous year. Six of these were resolved at an early stage of the complaints procedure as it was established that no breach of the code had occurred. In one of these cases the member was issued with a letter of advice from the Monitoring Officer and in another case, an apology was issued by the member. One minor breach of code was established, which resulted in a formal letter of censure from the Monitoring Officer to the subject member.

### **RISK ASSESSMENT**

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

### **CONCLUSION**

23. Whilst no complaints were upheld by the LGSCO, the Housing Ombudsman Service determined that there was service failure in respect of a complaint they had received during 2017/18, resulting in a remedy order being issued to the Council.
24. There have been no reports, guidance or advice from the Council's Monitoring Officer or the Local Government and Social Care Ombudsman for the Committee to consider.
25. There have been no breaches of the Code of Conduct for the Committee to consider.
26. The overall level of complaints to the Local Government and Social Care Ombudsman,

the Housing Ombudsman Service and those complaints about Councillors are in line with recent trends and the Committee is recommended to note the contents of the report.

**Appendices:**     **Appendix A – LGSCO Annual Review letter**

**Background Papers:**

The Local Government and Social Care Ombudsman’s website provides copies of the annual review letters sent to all councils about their performance.

**Reference Papers:**

None

**Enquiries:**

For further information on this report please contact Annette Rickman, Customer Service Manager (Ext. 4418).





24 July 2019

*By email*

Peter Grimwood  
Chief Executive  
Fareham Borough Council

Dear Mr Grimwood

**Annual Review letter 2019**

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2019. The enclosed tables present the number of complaints and enquiries received about your authority, the decisions we made, and your authority's compliance with recommendations during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

**Complaint statistics**

As ever, I would stress that the number of complaints, taken alone, is not necessarily a reliable indicator of an authority's performance. The volume of complaints should be considered alongside the uphold rate (how often we found fault when we investigated a complaint), and alongside statistics that indicate your authority's willingness to accept fault and put things right when they go wrong. We also provide a figure for the number of cases where your authority provided a satisfactory remedy before the complaint reached us, and new statistics about your authority's compliance with recommendations we have made; both of which offer a more comprehensive and insightful view of your authority's approach to complaint handling.

The new statistics on compliance are the result of a series of changes we have made to how we make and monitor our recommendations to remedy the fault we find. Our recommendations are specific and often include a time-frame for completion, allowing us to follow up with authorities and seek evidence that recommendations have been implemented. These changes mean we can provide these new statistics about your authority's compliance with our recommendations.

I want to emphasise the statistics in this letter reflect the data we hold and may not necessarily align with the data your authority holds. For example, our numbers include

enquiries from people we signpost back to your authority, some of whom may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside our annual review of local government complaints. For the first time, this includes data on authorities' compliance with our recommendations. This collated data further aids the scrutiny of local services and we encourage you to share learning from the report, which highlights key cases we have investigated during the year.

### **New interactive data map**

In recent years we have been taking steps to move away from a simplistic focus on complaint volumes and instead focus on the lessons learned and the wider improvements we can achieve through our recommendations to improve services for the many. Our ambition is outlined in our [corporate strategy 2018-21](#) and commits us to publishing the outcomes of our investigations and the occasions our recommendations result in improvements for local services.

The result of this work is the launch of an interactive map of council performance on our website later this month. [Your Council's Performance](#) shows annual performance data for all councils in England, with links to our published decision statements, public interest reports, annual letters and information about service improvements that have been agreed by each council. It also highlights those instances where your authority offered a suitable remedy to resolve a complaint before the matter came to us, and your authority's compliance with the recommendations we have made to remedy complaints.

The intention of this new tool is to place a focus on your authority's compliance with investigations. It is a useful snapshot of the service improvement recommendations your authority has agreed to. It also highlights the wider outcomes of our investigations to the public, advocacy and advice organisations, and others who have a role in holding local councils to account.

I hope you, and colleagues, find the map a useful addition to the data we publish. We are the first UK public sector ombudsman scheme to provide compliance data in such a way and believe the launch of this innovative work will lead to improved scrutiny of councils as well as providing increased recognition to the improvements councils have agreed to make following our interventions.

### **Complaint handling training**

We have a well-established and successful training programme supporting local authorities and independent care providers to help improve local complaint handling. In 2018-19 we delivered 71 courses, training more than 900 people, including our first 'open courses' in Effective Complaint Handling for local authorities. Due to their popularity we are running six more open courses for local authorities in 2019-20, in York, Manchester, Coventry and London. To find out more visit [www.lgo.org.uk/training](http://www.lgo.org.uk/training).

Finally, I am conscious of the resource pressures that many authorities are working within, and which are often the context for the problems that we investigate. In response to that situation we have published a significant piece of research this year looking at some of the

common issues we are finding as a result of change and budget constraints. Called, [Under Pressure](#), this report provides a contribution to the debate about how local government can navigate the unprecedented changes affecting the sector. I commend this to you, along with our revised guidance on [Good Administrative Practice](#). I hope that together these are a timely reminder of the value of getting the basics right at a time of great change.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M King', with a horizontal line underneath.

Michael King  
Local Government and Social Care Ombudsman  
Chair, Commission for Local Administration in England

**Local Authority Report:** Fareham Borough Council

**For the Period Ending:** 31/03/2019

For further information on how to interpret our statistics, please visit our [website](#)

## Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	0	3	0	0	0	2	3	0	8

## Decisions made

Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Detailed Investigations			Total
				Not Upheld	Upheld	Uphold Rate (%)	
0	2	2	6	1	0	0	11

**Note:** The uphold rate shows how often we found evidence of fault. It is expressed as a percentage of the total number of detailed investigations we completed.

## Satisfactory remedy provided by authority

Upheld cases where the authority had provided a satisfactory remedy before the complaint reached the Ombudsman	% of upheld cases
0	0

**Note:** These are the cases in which we decided that, while the authority did get things wrong, it offered a satisfactory way to resolve it before the complaint came to us.

## Compliance with Ombudsman recommendations

Complaints where compliance with the recommended remedy was recorded during the year*	Complaints where the authority complied with our recommendations on-time	Complaints where the authority complied with our recommendations late	Complaints where the authority has not complied with our recommendations	
0	0	0	0	<b>Number</b>
	0%		-	<b>Compliance rate**</b>
<p><b>Notes:</b>            * This is the number of complaints where we have recorded a response (or failure to respond) to our recommendation for a remedy during the reporting year. This includes complaints that may have been decided in the preceding year but where the data for compliance falls within the current reporting year.            ** The compliance rate is based on the number of complaints where the authority has provided evidence of their compliance with our recommendations to remedy a fault. This includes instances where an authority has accepted and implemented our recommendation but provided late evidence of that.</p>				



# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 September 2019  
**Report of:** Deputy Chief Executive Officer  
**Subject:** REVIEW OF FINANCIAL REGULATIONS

#### SUMMARY

Following the approval of the new Procurement and Contract Procedure Rules last year it is now possible to conclude the review of the Financial Regulations. The whole set has now been amalgamated into one document for final approval.

Further changes to Financial Regulation 19 and the Procurement and Contract Procedure Rules are also proposed.

*The Audit and Governance Committee's areas of responsibility include to review and make recommendations to Council on its Financial Regulations and Contract Procurement Rules.*

#### RECOMMENDATION

It is recommended that the Committee: -

- a) consider the proposed changes; and
- b) forward any comments to Council, to aid its decision in approving the revised Financial Regulations.

## **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. Each revised Regulation has been brought before the Audit and Governance Committee before adoption.
3. Following the approval of the new Procurement and Contract Procedure Rules last year, which subsumed Financial Regulation 15, it is now possible to conclude the review of the Council's Financial Regulations. The whole set has now been amalgamated into one document, as attached as Appendix C, for final approval.
4. Further changes to Financial Regulation 19 and the Procurement and Contract Procedure Rules are proposed.

## **AMALGAMATED FINANCIAL REGULATIONS**

5. The Financial Regulations, as attached in Appendix C, have been amalgamated into one document and assigned the standard corporate policy formatting. A separate amalgamated document is being prepared for all the support documents referred to in the Regulations. These do not form part of the Council's constitution.
6. Other minor changes have been made to update the regulations, such as updating them for any policy name or officer post name changes. A glossary has also been added.

## **PROPOSED CHANGES TO FINANCIAL REGULATION 19.4 WRITE OFFS**

7. A change is proposed to the Financial Regulation 19.4 as highlighted in Appendix A. The proposal is:
  - a) To introduce a £100 threshold under which nominated employees can process a write-off without an authorisation.
  - b) To introduce certain categories of write-off under £5,000, for which nominated employees can process a write-off without an authorisation, as these are usually mandatory.
  - c) To increase the threshold from £50 to £1,000 in which designated Lead Debt managers can authorise write-offs, leaving write-offs between £1,000 and £5,000 to be authorised by the Statutory Chief Finance Officer or Nominated General Finance Manager. This will also remove the need to distinguish the threshold for housing rents debts.
8. The value and number of write-offs in 2018/19 which would fall under these new thresholds is as follows:



Value of Debt or Credit	Number of Debts in 2018/19	Value of Debts in 2018/19	Number of Credits in 2018/19	Value of Credits in 2018/19
<b>£100 or less</b>	129	£2,024	80	<b>-£1,770</b>
<b>£100.01 - £1,000</b>	84	£33,163	41	<b>-£14,047</b>
<b>£1,001 - £5,000</b>	21	£40,588	8	<b>-£18,829</b>
<b>£5,001 +</b>	10	£118,208	1	<b>-£14,209</b>
<b>£5,000</b> or less but mandatory categories	230	£138,529	-	-
<b>Total</b>	<b>474</b>	<b>£332,512</b>	<b>130</b>	<b>-£48,855</b>

9. All write-offs will continue to be recorded and circulated quarterly to the relevant managers. An additional safeguard is proposed in that the Lead Debt Managers will be required to undertake quarterly sample checks of those write-offs actions under their threshold.

## PROPOSED CHANGES TO THE PROCUREMENT AND CONTRACT PROCEDURE RULES

10. A change is proposed to the Procurement and Contract Procedure Rule 14, concerning who can sign agreements on behalf of the Council, as highlighted in Appendix B. The proposal is to make certain routine agreements, such as property and housing tenancy leases, exempt from needing a signature from a Director above £100,000. Instead these can be signed by the Head of Service, or other post-holders nominated by them, unless there is a significant adverse financial implication.
11. A second change is proposed to Procurement and Contract Procedure Rule 12.1 to clarify that contracts can be awarded by officers over £250,000 if they have been given delegated authority to do so:

<b>12. Approval and Award of Contract</b>	
12.1 Approval must be sought from the appropriate authoriser to award the contract to the highest scoring tenderer, in accordance with the following table below:	
Total Purchase Value	Authoriser
<b>Up to £100,000</b>	Head of Service
<b>£100,001 to £250,000</b>	Member of Chief Executive's Management Team
<b>£250,001 to £500,000</b>	Individual Executive Member or those with delegated authority
<b>Over £500,000</b> within Council budget and policy framework	Executive Committee or Full Council
<b>Over £500,000</b>	Full Council

12. A third change is proposed to Procurement and Contract Procedure Rule 12.3 to clarify the definition of a key decision.

12.3 All awards made over **£250,000**, or those that affect 2 or more wards in the borough, constitute a key decision and should be formally recorded and reported to the next meeting of the Executive or Full Council.

### **RISK ASSESSMENT**

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

**Appendix A** – Proposed Change to Financial Regulation 19.4 – Write offs

**Appendix B** – Proposed Change to Procurement and Contract Procedure Rule 14

**Appendix C** – Amalgamated version of Financial Regulations previously approved

**Background Papers:** None

**Reference Papers:** Reports of the Director of Finance and Resources to the Audit and Governance Committee between 2010 and 2018 on 'Reviews of Financial Regulations'

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

## Proposed Revision to Financial Regulation 19.4 – Write Offs

### 19.4 Recovery and Write-Offs

19.4.1 **Recovery Procedures:** Services must establish appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly. Any recovery procedure utilised must conform to the Council's **Collection and Recovery Policy**.

19.4.2 **Write-Offs:** Debts due to the Council, or credits owing to customers, may only be written off in accordance with the following rules: -

Value of Debt or Credit	Authorised by	Other requirements
<b>£100 or less</b>	Officers of a service designated by a Lead Debt Manager	Proportionate steps have been taken to collect the debt (or trace the credit owner) such that it has been deemed irrecoverable
<b>£100.01 - £1,000</b>	Lead Debt Manager	Appropriate steps have been taken to collect the debt (or trace the credit owner) such that it has been deemed irrecoverable
<b>£1,000.01 - £5,000</b>	Statutory Chief Finance Officer or Nominated General Finance Manager	
<b>£5,000.01 +</b>	Executive, or other relevant committee	
<b>£5,000 or less</b>	Officers of a service designated by a Lead Debt Manager	<p>The reason for the write off is for one of the following reasons:</p> <ul style="list-style-type: none"> <li>The debt was created in error</li> <li>The debt has become out of date and cannot be pursued</li> <li>The debtor has declared themselves insolvent * and the Council has received official notification of this status, and cannot be named as a preferred creditor or unsecured creditor to the agreement</li> </ul> <p>* Insolvent is defined as declared bankrupt (individual) or in liquidation (company), or has entered into a Debt Relief Order, Individual Voluntary Arrangement or Company Voluntary Arrangement.</p>
<b>Penalty charge notices</b> (cancelled or written off)	Nominated Chief Officer or Head of Service with responsibility for Enforcement	Cancelled in accordance with the <b>Parking Enforcement Policy</b>
Housing rent income which has been waived as <b>rent-free weeks</b>	Nominated Chief Officer or Head of Service with responsibility for Housing	

- a) ~~by designated officers of a service where the debt is £50 and appropriate steps have been taken to collect the debt such that it has been deemed irrecoverable.~~

~~The write off should subsequently appear on the monitoring reports received by the Statutory Chief Finance Officer or Nominated General Finance Manager;~~

~~b) by designated officers of the housing service where the Former Tenant arrears debts are £200 or less and appropriate steps have been taken to collect the debt such that it has been deemed irrecoverable. The write off should subsequently appear on the monitoring reports received by the Statutory Chief Finance Officer or Nominated General Finance Manager;~~

19.4.3 Sufficient information about the debt and recovery action taken must be provided and documented before authorisation for write-off can be given.

19.4.4 A record must be kept of all write-offs authorised and actioned ~~should subsequently appear on the monitoring reports received~~ which must be circulated quarterly to the relevant Lead Debt Manager and the Statutory Chief Finance Officer or Nominated General Finance Manager.

19.4.5 Lead Debt Managers must undertake a quarterly sample check of a proportionate number of write-offs processed without authorisation.

19.4.6 The total value and number of write-offs carried out by officers, under the delegated powers outlined above, should be reported to the relevant committee each year.

19.4.7 A list of officers designated as Lead Debt Managers ~~to write off debts~~ in accordance with this policy will be maintained as part of the "Posts assigned to the roles required by Financial Regulations" document.

~~19.4.8 A record must be kept of all write-offs authorised and actioned which is totalled at the end of each financial year.~~

## **Addition to Appendix B - Posts assigned to the roles required by Financial Regulations**

<b>Roles</b>	<b>Current Post Fulfilling the Role</b>	<b>Officer Name</b>	<b>Regulations with this Role</b>	<b>Specific Requirements of Role</b>
Lead Debt Manager	Finance Manager Head of Housing, and Benefits Local Tax and Corporate Debt Manager	Neil Wood Caroline Newman Adrian Collier	19.4	Managers authorised to write off debts and credits under the threshold set in Financial Regulation 19.4, and nominate other officers to process low value, non-recoverable write offs.  Undertake a quarterly sample check of a proportionate number of write-offs processed without authorisation.

## Proposed Revision to Procurement and Contract Procedure Rule 14

### 14. Signing and/or Sealing Contracts and Agreements

14.1 **Signing an Agreement or Contract:** Only Heads of Service and above can sign a contract or agreement on behalf of the Council in accordance with the following table:

Total Agreement Value	Signatory
Up to £100,000	Head of Service
£100,001 or more	Member of Chief Executive's Management Team

14.2 This Rule includes:

- agreements which tie the Council into expenditure (e.g. maintenance);
- agreements which tie the Council into a set of terms and conditions (e.g. grant award);
- contracts awarded through a tender process.

Purchase orders are excluded and can be authorised in accordance with Financial Regulation 4.

14.3 An exception to this are agreements drafted by the Council which are in use multiple times as part of the delivery of a specific service. For example: FBC property leases or council housing tenancy agreements. These can be signed by the appropriate Head of Service, or other post-holders nominated by them, irrespective of the value.

However, if there is a material adverse financial consequence to the Council in signing the agreement then this must be discussed with a finance manager before the agreement is signed.



# Financial Regulations



**Version 1 – September 2019 (draft)**

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## Status of the Regulations

These Financial Regulations form part of Fareham Borough Council's Constitution and are a statutory requirement under the Local Government Act 2000.

Their purpose is to provide the framework for managing the authority's financial affairs. They are supported by a set of supplementary procedure and guidance notes to assist in the interpretation of the rules contained in the Regulations.

The posts currently fulfilling the responsibilities stipulated in the Regulations are laid out in a supporting table. The Statutory Chief Finance Officer has delegated authority to keep this table up to date.

**The general principle behind these Regulations is:**

***"All financial dealings must be of the highest standard conducive with being custodians of public resources and assets."***

These Financial Regulations **must be followed** by all members, employees and anyone acting on the council's behalf. Where work is carried out in partnership then the regulations of the 'principal' authority should be followed.

**The Statutory Chief Finance Officer** will maintain a continuous review of these regulations and submit any changes to the Audit and Governance Committee for review and Full Council for approval.

**The Statutory Chief Finance Officer** is responsible for issuing advice and guidance to underpin the Financial Regulations to members, employees and others acting on the authority's behalf.

**The Statutory Chief Finance Officer** may agree to waive the provisions of these Regulations if considered in the Council's best interests. Any material decision to waive the provisions of the Financial Regulations will be reported to **a future meeting of the Executive**.

## Regulation 1: Responsibilities of Members

### 1.1 Overall Responsibilities

1.1.1 **All members** have a general duty of care to the Council and responsibility for taking all reasonable actions to:

- a) Ensure use of resources is legal and properly authorised.
- b) Ensure use of resources achieves best value.
- c) Ensure that at no time any assets, income or other resources under their control are put at an unacceptable risk of loss or waste.

### 1.2 The Council

1.2.1 **Constitution and Governance Framework:** The Council is responsible for approving the Council's constitution and governance framework and ensuring that appropriate action is taken in response to any concerns raised by the Audit and Governance Committee.

1.2.2 **Policy Framework and Budget:** The Council is responsible for approving the Council's policy framework, the annual budget, budget strategy and Treasury Management Strategy within which the decision-making groups and individuals operate.

1.2.3 **Statutory Reports:** The Council should ensure that appropriate action is taken in response to any formal reports issued by the statutory officers or external auditors.

### 1.3 Decision Making Groups and Individuals

1.3.1 Member groups and individuals who are delegated the power to make decisions on behalf of the Council should carry out their responsibilities within the policy, governance and financial frameworks set by the Council.

### 1.4 The Audit and Governance Committee

1.4.1 **Governance Framework:** The Audit and Governance Committee is responsible for recommending changes to the governance framework to the Council, including changes to the Financial Regulations.

1.4.2 **Annual Governance Statement:** The Audit and Governance Committee is responsible for overseeing the annual review of the effectiveness of Council's governance framework and approving the Annual Governance Statement on behalf of the Council.

1.4.3 **Statement of Accounts:** The Audit and Governance Committee is responsible for the approval of the annual Statement of Accounts on behalf of the Council.

- 1.4.4 **Financial Stability:** The Audit and Governance Committee are responsible for overseeing the Council's financial stability and should bring to the attention of the Council any concerns arising from the Statement of Accounts or reports issued by the external auditors.

## Regulation 2: Responsibilities of the Statutory Officers

### 2.1 General

2.1.1 In accordance with the Local Government Act 2000 and subsequent amendments, the Council must appoint the following 3 statutory officers:

- Head of Paid Service (HPS)
- Monitoring Officer (MO)
- Chief Finance Officer (SCFO)

2.1.2 These officers must be free to carry out their obligations as stipulated by legislation which includes:

- Section 151 of the Local Government Act 1972 (SCFO)
- Sections 114 and 114A of the Local Government Finance Act 1988 (SCFO)
- Sections 4 and 5 of the Local Government and Housing Act 1989 (HPS and MO)
- Sections 25 and 27 of the Local Government Act 2003 (SCFO)
- The Accounts and Audit Regulations (SCFO)

### 2.2 The Head of Paid Service

2.2.1 **Management:** The Head of Paid Service is responsible for the overall corporate management and operational activity of the Council.

2.2.2 **Professional Advice:** S/he is responsible for the provision of professional advice to all parties and committees in the decision-making process.

2.2.3 **Records of Decisions:** S/he is responsible, together with the Monitoring Officer, for ensuring a system for recording and reporting Council decisions is maintained.

### 2.3 The Monitoring Officer

2.3.1 **Standards of Conduct:** The Monitoring Officer will contribute to the promotion and maintenance of high standards of conduct through provision of support to the Audit and Governance Committee.

2.3.2 **Constitution:** The Monitoring Officer will maintain the Constitution and ensure that it is available for consultation by Members, staff and the public.

- 2.3.3 **Records of Decisions:** S/he is responsible, together with the Head of Paid Service, for ensuring that procedures for recording and reporting decisions, and the reasons for those decisions, are operating effectively.
- 2.3.4 **Advice on Budget and Policy Framework:** S/he is responsible, together with the Statutory Chief Finance Officer, for advising the Executive if their decisions are not in accordance with the budget and policy framework.
- 2.3.5 **Unlawfulness and Maladministration:** S/he is responsible for overseeing that no action of the Council contravenes any legislation or code of practice or may lead to a charge of maladministration.
- 2.3.6 If s/he considers that any proposal, decision or omission will give rise to unlawfulness or maladministration s/he will make a Section 5 report to the Council or the Executive, as appropriate, after consultation with the Head of Paid Service and Statutory Chief Finance Officer.

## 2.4 The Statutory Chief Finance Officer (SCFO)

- 2.4.1 **Financial Administration:** The Statutory Chief Finance Officer is responsible for:
- establishing a framework for the proper administration of the Council's financial affairs;
  - setting and monitoring compliance with financial management standards;
  - establishing an adequate and effective system of internal audit;
  - advising on the corporate financial position and on the key financial controls necessary to secure sound financial management;
  - giving accurate, impartial advice and information on financial issues and options to the Chief Executive's Management Team, the Council and all its committees and members.
- 2.4.2 Detailed responsibilities of the Statutory Chief Financial Officer as part of the 'financial administration framework' are also included in the relevant sections of the other Financial Regulations.
- 2.4.3 **Robust Budget:** The Statutory Chief Financial Officer shall issue a Section 25 report each year before the Council's budget is approved.
- 2.4.4 **Advice on Budget and Policy Framework:** Along with the Monitoring Officer, the Statutory Chief Finance Officer is responsible for advising the Executive if their decisions are not within the budget and policy framework.
- 2.4.5 **Unlawful Proposals:** The Statutory Chief Finance Officer shall issue a Section 114 (2) report to the Executive, all members and the Council's external auditor if s/he considers that any proposal, decision or course of action by the Council, a committee, a member of the Executive or an officer:

- will involve incurring unlawful expenditure, or
  - is unlawful and likely to cause a loss or deficiency, or
  - is about to enter an item of account which is unlawful.
- 2.4.6 In preparing a report s/he shall consult as far as practicable with the Head of Paid Service and the Monitoring Officer.
- 2.4.7 **Expenditure Exceeds Resources:** The Statutory Chief Finance Officer shall issue a Section 114 (3) report to the Executive, and subsequently the Council, if it appears that the expenditure in the financial year is likely to exceed the resources available.
- 2.4.8 **Deputies:** The Nominated General Finance Manager, Nominated Operational Finance Manager and Nominated Strategic Finance Manager are deputised to perform the Section 114 duties if the Statutory Chief Finance Officer is unable to perform these duties.
- 2.4.9 Members and Officers shall draw to the attention of the Statutory Chief Finance Officer at the earliest opportunity, any subject which may lead to a formal report.

## Regulation 3: Responsibilities of Employees and Agents of the Council

### 3.1 Chief Executive Officer, Deputy Chief Executive Officer and Directors

- 3.1.1 The Chief Executive Officer, Deputy Chief Executive Officer and Directors are responsible for the effective management of the financial resources allocated to their areas of responsibility.

### 3.2 Heads of Service

- 3.2.1 Heads of Service are responsible for the effective management of the financial resources allocated to their services in compliance with these Financial Regulations and their budget allocations.
- 3.2.2 Heads of Service must make sure employees and agents within their service are instructed on the relevant requirements of Financial Regulations and have adequate guidance on financial procedures and working practices.
- 3.2.3 Heads of Service must ensure that they consult with the Statutory Chief Finance Officer, and members where required, on any matter liable to materially affect the Councils finances at the earliest opportunity.
- 3.2.4 The financial implications of any decisions must be fully identified and considered before the decision is made.

### 3.3 All Employees and Agents

- 3.3.1 **Duty of Care:** All employees and agents have a general duty of care when dealing with public money and assets.
- 3.3.2 All employees and agents are responsible for taking reasonable actions to:
- ensure use of resources is legal and properly authorised;
  - ensure use of resources achieves best value;
  - ensure that at Council assets, income or other resources are not put at any undue risk.
- 3.3.3 **Understand the Rules:** All employees and agents must be familiar with these Financial Regulations where they relate to their work. If an employee or agent is unclear about these rules, they must get advice before acting, by talking to their line manager or accountant.
- 3.3.4 **Financial Records:** All employees and agents must ensure that all financial records maintained meet the requirements of the Statutory Chief Finance Officer and comply with proper standards of financial control.
- 3.3.5 **Irregularity:** Where there is a suspicion of Financial Irregularity, it is the duty of all individuals to report the matter in accordance with Financial Regulation 10.4.

## Regulation 4: Authorisation Limits

- 4.1 **Nature of Spend:** Expenditure should only be incurred in relation to the business of FBC and procurement channels should not be used for personal use under any circumstance.
- 4.2 **Budget Provision:** Expenditure can only be incurred within the revenue and capital budgets approved by the Council.
- 4.3 **Capital Expenditure:** Only expenditure that meets the capitalisation rules can be charged against a capital scheme.
- 4.4 **Budget Holder Agreement:** When authorising expenditure, the authoriser should be confident that the budget holder has confirmed that the expenditure can be posted against their budget. The authoriser should take reasonable steps to be able to demonstrate this confirmation if challenged.

Exemptions from the need for budget holder confirmation are:

- Internal recharges
- Employee related costs
- Energy costs
- Vehicle costs
- Insurance premiums and excesses



- Leasing costs
- Capital financing costs
- Bank charges
- Bad debt provisions
- ICT software and hardware costs
- Non-negotiable expenditure e.g. external audit fees
- Accounting transactions and corrections
- Anything else procured centrally or expenditure on a consolidated invoice.

4.5 **Authorisers:** Orders and payments which involve the spending of council funds must be authorised by an employee of the Council, whose powers to incur expenditure are in accordance with the limits set out in Appendix 1, and who has been nominated as an authoriser by their Head of Service.

The exception to this are payments made on Council Procurement cards which can be made by an approved card holder who has signed a procurement card agreement setting out their authorised limits in accordance with Appendix 1.

An authorised officer, other than the card holder, must be nominated to receive details of the transactions being charged to each card.

4.6 Employees must not authorise any payments which are above these limits unless written approval to do so has been given by the employee's director and Statutory Chief Finance Officer.

4.7 **Emergency Responses:** In the event of the Council being involved in an emergency response, such that a control centre has been established, additional powers of authorisation are allowed in accordance with [Financial Regulation Support Document 29](#).

4.8 **Personal Benefit:** No employee can authorise payments to themselves, or to related bodies/individuals where they have a personal interest. Any exceptions to this must be agreed by the Statutory Chief Finance Officer.

## Regulation 4 - Appendix 1: Current Authorisation Limits

			Level 1	Level 2	Level 3	Other
	Covers	Additional Rules	Member of Chief Executive's Management Team	Head of Service	Other staff nominated by their Head of Service or Director	Finance Team Authoriser
<b>Budget Expenditure</b>	<p>Electronic authorisation on efinancials, Orchard or Technology Forge</p> <p>Manual authorisation of order forms, yellow stickers or payment vouchers/certificate</p>	<p>Any payment over £50,000 must be additionally approved by an officer with Financial Management authorisation, who is different from the first authoriser.</p> <p>Any payment over £1,000,000 must have been approved by the Statutory Chief Finance Officer</p>	<b>No Limit</b>	<b>£100,000</b>	<b>£10,000</b>	Not applicable
<b>Petty Cash</b>	<p>Cash Advances</p> <p>Reimbursement</p> <p>Float Top Up</p>	Any payment over £200 must be counter signed by the Statutory Chief Finance Officer who cannot also be the first signatory.	<b>£200</b>	<b>£100</b>	<b>£50</b>	Not applicable
<b>Procurement Cards</b>	<p>Advance payments</p> <p>In person payments</p> <p>Telephone payments</p> <p>Internet orders</p>	<p>Limits are the upper limit for single transactions.</p> <p>Higher limits can be given in individual cases, up to the maximum single transaction Procurement card limits, on approval of the Nominated General Finance Manager or Statutory Chief Finance Officer.</p> <p>The maximum <u>monthly</u> limit that can be</p>	<b>Up to £5,000</b>	<b>Up to £2,000</b>	<b>Up to £1,000</b>	Not applicable

			Level 1	Level 2	Level 3	Other
	Covers	Additional Rules	Member of Chief Executive's Management Team	Head of Service	Other staff nominated by their Head of Service or Director	Finance Team Authoriser
		<p>set for any card is £10,000. Limits above £5,000 must be approved as above.</p> <p>Actual limits for single and monthly transactions are set out in individual Procurement Card agreements.</p>				
<b>Financial Management</b>	<p>Payroll administration and pension payments</p> <p>Precepts to other precepting authorities</p> <p>Routine transfers to Government Departments (e.g. Inland Revenue. NNDR)</p> <p>Pension payments</p> <p>Authorisation of sundry debtor refunds</p> <p>Tax Adjustments</p> <p>Inter-account transactions</p> <p>Treasury management transactions</p>	<p>Any cheque over £50,000 must be countersigned by an officer with Financial Management authorisation.</p> <p>Any non-cheque payment over £50,000 must be additionally approved by an officer with Financial Management authorisation, who is different from the first authoriser.</p> <p>Any Financial Management transaction over £3,000,000 must have been approved by the Statutory Chief Finance Officer who cannot also be the authoriser. An allowed exception to this rule is transfers of money between accounts held by the Council's nominated bank.</p>	Not applicable	Not applicable	Not applicable	<b>£3,000,000</b>
<b>Employee Expenses</b>	<p>Payments to employees made through the electronic expenses system:</p> <p>Mileage, Overtime, Hourly Salary, Standby, Eye care, Subsistence,</p>	Any claim where the employee's manager is not available can be authorised by a Super User.	A post holder can authorise any claim of an employee whose post reports to theirs in the management structure. A claim submitted by a Director or Deputy Chief Executive Officer can only be authorised by another Director, Deputy Chief Executive or a Super User. A claim submitted by the			

			Level 1	Level 2	Level 3	Other
	Covers	Additional Rules	Member of Chief Executive's Management Team	Head of Service	Other staff nominated by their Head of Service or Director	Finance Team Authoriser
	Parking, Public transport.		Chief Executive Officer can only be authorised by another Statutory Officer. This is controlled electronically by the system. Claims shall not be submitted and authorised by the same person.			
<b>Pay Advances</b>		Any payment over £500 must be counter signed by the Statutory Chief Finance Officer who cannot also be the first signatory.	<b>£500</b>	<b>£200</b>	Not applicable	Not applicable

Notes to Appendix 1

1. These limits relate to NET expenditure (net of VAT).
2. The authorisation rules in relation to income are laid out in Financial Regulation 19.
3. The authorisation rules in relation to changes in staff remunerations are laid out in the Pay Policy.
4. The rules in relation to signing agreements are laid out in Contract Procedure Rules and the Constitution
5. Some posts are designated as Heads of Services in relation to this policy where there is not a direct Head of Service available in the management structure. These posts must be approved as such by the Director of the department.
6. A manual signature must be provided for all post holders who are nominated to authorise

## Regulation 6: Financial Planning

### 6.1 The Financial Strategy

- 6.1.1 **Production of Strategy:** The Statutory Chief Finance Officer (SCFO) must ensure that a Financial Strategy showing a 3 year forward assessment, including commitments, for both revenue and capital expenditure is prepared for the Executive and taken to the Council for approval.
- 6.1.2 **Pay Policy Statement:** The annual review of the Council's Finance Strategy must include the Pay Policy Statement for the following year, in a format that meets the requirements of section 38 of the Localism Act 2011.
- 6.1.3 **Council Strategies:** Other Council strategies should be aligned to the corporate aims and objectives and should take account of the Council's Financial Strategy.
- 6.1.4 **Significant Service Proposals:** The SCFO must ensure that when capital projects or significant revenue proposals are considered, the relevant Director includes detailed financial implications of the decision in their report, including the impact on current and future years.

### 6.2 Asset Management Plan

- 6.1.5 **Production of Plan:** The SCFO must ensure that an appropriate Asset Management Plan is prepared for the Executive.

*(N.B. Rules on controlling priorities and spending on the Capital Programme are laid out in Regulation 9).*

### 6.3 Maintenance of Provisions & Reserves

- 6.1.6 **Level of Reserves:** When formulating the Financial Strategy and setting the annual council tax, the SCFO must advise the Executive and the Council on a prudent level of reserves that needs to be maintained in order to protect the authority's stability.
- 6.1.7 **Section 27 Report:** Where a reserve is likely to be inadequate during the forthcoming year, the SCFO must make a report to the Council on the reasons why the situation has arisen and the remedial action to be taken.  
*(N.B. Relates to s.27 of the Local Government Act 2003.)*
- 6.1.8 **Use of Reserve:** Any proposal to incur expenditure from a provision or a reserve must be approved by the SCFO.
- 6.1.9 **Earmarked Reserves:** Provisions or earmarked reserves must only be used for the purpose for which they were originally approved, unless agreed by the Council.

## 6.4 Financing Arrangements

- 6.4.1 **Council Tax Setting:** An annual General Fund, Housing Revenue Account Budget and Capital programme proposal shall be agreed by the Executive. These should then be submitted to the Council to approve the budget, set the council housing rents and agree the Council Tax for the following year, in the context of the Financial Strategy.
- 6.4.2 **Grant Claims:** The relevant Director must ensure that all claims for funds, including grants, are made by the due date and in the manner prescribed by the funding body. Significant grant claims should be supported by appropriate documentation and checks.
- 6.4.3 **Use of Specific Finances:** The relevant Director must ensure that all resources from donations, grants or partnerships are being used for the purpose for which they are intended.
- 6.4.4 **Fees and Charges:** Fees and charges must be reviewed at least annually to take into account the budget setting principles of the Council's Financial Strategy.
- 6.4.5 **Other Financing Options:** Expenditure which involves any leasing, hire purchasing or rental agreements for more than 1 year must not be incurred without the SCFO's approval.

## Regulation 7: Financial Reporting

### 7.1 Accounting Policies and Procedures

- 7.1.1 **Accounting Standards:** The Statutory Chief Financial Officer (SCFO) must ensure that the accounting policies, procedures and financial records adopted by the Council take into consideration published standards and codes of practice and are acceptable to the Council's external auditors.
- 7.1.2 **Integrity of Accounting Systems:** All accounting and financial systems in use must be approved by the SCFO to ensure they provide a comprehensive, consistent and accurate record of the organisation's financial transactions.
- Use of such systems must be monitored to ensure that they remain relevant to changing circumstances.
- 7.1.3 **Separation of Duties:** Wherever possible, financial systems of control should be designed so that no one individual is solely responsible for an entire process.

### 7.2 Financial Reports

- 7.2.1 **Quality of Financial Reports:** Any employee producing financial reports must ensure that they are clear, accurate, relevant, reliable, consistent and

compatible with the Council's accounting and financial information systems. They should be complete, free from deliberate or systematic bias and material error.

- 7.2.2 **Supporting Documentation:** Where appropriate, working papers should be maintained to safeguard the quality and transparency of financial reports. In particular these should set out the basis on which sums have been estimated and any assumptions made.

## 7.3 Financial Statements

- 7.3.1 **Reports to Executive:** The SCFO must ensure that the following accounts and reports are prepared from the Executive for approval by the Council:

- a) the aggregate estimates of all services for the financial year together with other matters related to the revenue budget, including the proposed Council Tax for the following year;
- b) an opinion of the robustness of the estimates made and the adequacy of financial reserves;
- c) the aggregate capital programme, its financing and the implications for the financial year;
- d) the aggregate outturn of all services for the previous financial year.

- 7.3.2 **Reports to Audit and Governance Committee:** The SCFO must ensure that the following accounts and reports are prepared for approval by the Audit and Governance Committee:

- a) the Annual Statement of Accounts to the 31st March of each year;
- b) an Annual Governance Statement.

- 7.3.3 **External Audit of Statement of Accounts:** The SCFO must ensure that the draft annual statement of accounts and supporting working documents, are prepared and ready for external audit in sufficient time to enable the audited financial statement to be published within the timetable legally stipulated for the Council.

- 7.3.4 **Publication of Financial Statements:** The SCFO must ensure that financial statements are published in accordance with statutory requirements and, where appropriate, to interested parties identified by the Council. Other potential users should be made aware of their availability.

## Regulation 8: Revenue and Capital Budgets

### 8.1 Preparation of Revenue Budgets

- 8.1.1 **Financial Strategy:** Detailed budgets for expenditure and income must be prepared with due regard to the Council's Financial Strategy and spending priorities.

- 8.1.2 **Procedures:** Revenue budgets must be prepared following the procedures and timetables set by the Statutory Chief Finance Officer (SCFO).
- 8.1.3 **Estimates:** It is the responsibility of the budget holders to ensure that estimates reflect service delivery plans and take account of past performance and assessments of future resources and commitments.
- 8.1.4 **Working Papers:** Estimates should be supported by working papers, which clearly show the assumptions made.
- 8.1.5 **Contingencies:** Individual service budgets cannot include contingency items for unplanned expenditure. However, provision can be made for known expenditure whose impact and value is not known.
- 8.1.6 **Growth Items:** Any significant growth items proposed for inclusion in a revenue budget should be appraised against the criteria laid down in the Finance Strategy.
- 8.1.7 **Trading and Holding Accounts:** Budgets set for trading and holding accounts must net to zero and have an associated method of internal charging established that has been approved by the Statutory Chief Finance Officer.

## 8.2 Preparation and Delivery of the Capital Programme

- 8.2.1 **De-Minimus Level:** No expenditure under **£10,000** will normally be considered for capitalisation. The exception to this is Vehicle and Plant purchases which must be over **£5,000**.
- 8.2.2 **Approval to Capitalise Expenditure:** Any proposal to capitalise expenditure must be approved by the Statutory Chief Finance Officer (SCFO).
- 8.2.3 **Capital Scheme Proposals:** Reports must be prepared for the Executive on any scheme to be added to the Capital Programme. These reports must be prepared in accordance with [Financial Regulation Support Document 39 - New Capital Scheme Proposals](#).
- 8.2.4 **Scheme Approval:** The Executive must consider the scheme in the context of the Council's Finance Strategy and Asset Management Plan, approved by the Council.
- 8.2.5 **Budget Approval:** Budget approval must be given for each individual scheme included in the Capital programme, and the revenue budget implications of the scheme.
- 8.2.6 **Financing of Scheme:** The Statutory Chief Finance Officer must advise on the most appropriate method of financing any approved expenditure.
- 8.2.7 **Start of Schemes:** Schemes can only be initiated when the Statutory Chief Finance Officer has confirmed that the funding has been secured.



- 8.2.8 **Project Monitoring:** It is the responsibility of the capital scheme lead officer to keep the Executive Committee informed of any problems that may occur in relation to the timescales for delivery of the scheme.
- 8.2.9 **Substitution of Schemes:** Any full or part substitution of an approved capital scheme with a new scheme within the Capital programme must be approved by the Council.

### 8.3 Budgetary Control

- 8.3.1 **Provision of Information:** Financial Services shall provide budget holders with relevant and timely financial information to enable them to monitor their budgets effectively.
- 8.3.2 **Budget Holders Responsibilities:** Budget Holders are accountable for the control of income and expenditure within their allocated budgets and should monitor progress, taking account of the financial information available. They should take appropriate action to avoid exceeding their budget allocation and act, as laid out below, if any material variances are anticipated.
- 8.3.3 **Executive Responsibilities:** It shall be the duty of the Executive Committee to monitor and regulate financial performance across revenue budgets and the capital programme to ensure that income and expenditure remain within the limits of the approved budget.
- 8.3.4 **Authority to Incur Expenditure:** Expenditure can only be incurred against a budget if the appropriate delegated authority has been given, as set out in [Financial Regulation 4](#).
- 8.3.5 **Expenditure Outside Budgets:** Expenditure is not permitted if a budget, reserve or financing provision has not been made.

In the event of the Council being involved in an emergency response, such that a control centre has been established, additional powers of expenditure are allowed in accordance with [Financial Regulation Support Document 29](#).

- 8.3.6 **Decisions Outside Budgets:** Budget holders considering undertaking activities that have financial implications, for which there is no budgetary provision, must consult with the Statutory Chief Finance Officer before either making a commitment or reporting their plans to the Council, Executive, Committees or Panels.

The Statutory Chief Finance Officer must be given a reasonable time scale in which to respond and be satisfied that all financial issues have been considered before a report is submitted to the Executive.

- 8.3.7 **Arbitration on Expenditure Charges:** The Statutory Chief Finance Officer will be the final arbitrator over any disputed expenditure charges.

- 8.3.8 **Budget Overspends:** Where it is anticipated that there will be an adverse variance against a revenue or capital budget then the variance should be discussed with the relevant accountant and savings plans or other mitigating measures identified.
- 8.3.9 **Revenue Budgets:** Where no mitigating measures can be identified for a revenue budget and the adverse variance exceeds **£20,000**, for the total net budget of a service listed in the Council's budget book, then the variance should be reported to the service Director and the Statutory Chief Finance Officer, who should then refer it to the Executive, or other relevant committee, if they are of the opinion that this materially affects the estimates.
- 8.3.10 **Capital Budgets:** Where the total cost of a capital scheme is anticipated to exceed the original provision by **10%** (subject to a minimum of **£20,000**) then approval must be obtained from the Executive Committee.
- 8.3.11 Where capital budget overspends are anticipated to be below this threshold the Statutory Chief Finance Officer should be informed who may then refer the issue to the Executive Committee if s/he is of the opinion that it will materially affect the estimates.

## 8.4 Virements

- 8.4.1 **Temporary Effect:** Virements must not increase overall net expenditure, result in a permanent change to the base budget or commit the authority to expenditure in future years.

If the budget transfer is to be permanent, then the growth item rules in the Finance Strategy should be followed.

- 8.4.2 **Detrimental Effect:** Virements must not have a detrimental effect to the delivery of a service from which the budget is vired. If a budget transfer is likely to have a detrimental effect on the delivery of a service that year, then the following rules apply:

Total Value of Transfer	Authorisation required
Up to <b>£20,000</b>	Relevant executive portfolio holders
<b>£20,000 and over</b>	Executive Committee.

- 8.4.3 **Virements Permitted:** Virements are not permitted if:
- The virement is between a General Fund budget and a Housing Revenue Account budget.
  - The virement involves a Capital budget. Changes to Capital budgets constitute a change to the capital programme which must be approved by the Council.

8.4.4 All other virements are permitted if authorisation is obtained in accordance with the following table:

Total Value of Virement (Aggregate within 1 year)	Nature of Virement	Authorisation required
Any Value	Involving “non-controllable” budgets such as employee or Internal Recharge budgets	“Nominated Operational Finance Manager”
Any Value	Involving “controllable” budgets <b>within the same</b> service listed in the Council’s budget book	Relevant Budget Holder
Up to £50,000	Involving “controllable” budgets <b>between</b> 2 or more services listed in the Council’s budget book	All relevant Budget Holders and their directors
£50,000 and over	Involving “controllable” budgets <b>between</b> 2 or more services listed in the Council’s budget book	All relevant Budget Holders, their directors, the Statutory Chief Finance Officer. The relevant executive portfolio holders must also be notified of the change.

8.4.5 All virements must be incorporated into the budget monitoring reports to the Executive Committee and explanations provided for significant variances.

## 8.5 Supplementary Estimates

8.5.1 **When Permitted:** Where a virement is not possible supplementary estimates may be considered if they meet one of the following criteria:

- circumstances of an exceptional nature, which could not have been foreseen;
- a change in Council or national policy, either in providing a new service or altering an existing service, which was not known at the time the estimates were prepared
- the rephasing of payments for schemes in progress, which involves no change in the overall cost, but the adjustment of budget provisions from one year to another.

8.5.2 **Consultation:** The advice of the Statutory Chief Finance Officer must be sought before any proposals for a supplementary estimate are considered.

8.5.3 **Approval:** All supplementary estimates must be approved by the Council.

8.5.4 **Urgent Expenditure:** Where expenditure is required urgently and there is no budget provision, verbal agreement may be obtained from the Executive Portfolio holder for Policy, Strategy and Finance, and the Chairman of the Scrutiny Board in consultation with the Statutory Chief Finance Officer and the

Chief Executive Officer, up to a value of **£50,000**. This must be reported to the next meeting of the Executive and the Council.

## 8.6 Journal Transfers

- 8.6.1 **Authority to Action Journal:** Only officers in the Finance Work Group are authorised to action journals on the Council's accounting system.
- 8.6.2 **Authorisation Limits:** Any individual journal item over **£100,000** must be formally authorised by a Finance Officer who sits on the Section 151 Group, who themselves did not create the journal, before the end of the period in which it is created.
- 8.6.3 **Application of Authorisation Limit:** This requirement only applies to journals with the "sub type" referenced to an individual Accountant, (i.e. excludes those automatically generated by the system and referenced GR – "reversing journals").

## 8.7 Outturn

- 8.7.1 **Commitments and Accruals:** All commitments and accruals outstanding at the year-end must be reviewed by the budget holder to identify those for which expenditure or income is still anticipated, so that funding provision can be made which does not impact on the following year's budget.
- 8.7.2 **Carry Forward of Underspends:** Underspends will not be carried forward, unless agreed by the Executive committee when considering the overall outturn position.

# Regulation 10: Risk Management

## 10.1 Risk Management

- 10.1.1 **Framework:** The Audit and Governance Committee are responsible for approving an appropriate approach to risk management for the Council.
- 10.1.2 **Policy:** The "Nominated Chief Officer with responsibility for Risk Management" is responsible for maintaining the Council's **Risk Management Policy** and **Business Continuity Policy**.

## 10.2 Internal Control

- 10.2.1 **Annual Governance Statement:** The Chief Executive's Assurance Group is responsible for maintaining an appropriate assurance framework which supports the production of the Annual Governance Statement in accordance with the latest Accounts and Audit Regulations.
- 10.2.2 All managers should be clear of their responsibilities with respect to the assurance framework and Local Code of Corporate Governance and should

provide appropriate assurance information to support the Annual Governance Statement, as necessary.

**10.2.3 Responsibility and Purpose of Internal Controls:** All managers must establish, maintain and keep under review appropriate and effective internal controls which promote and encourage:

- a) the achievement of objectives;
- b) compliance with legislation and council policies, regulations and rules;
- c) the reliability and integrity of Information;
- d) economical and efficient use of resources;
- e) safeguarding of assets.

**10.2.4** Managers should ensure that those involved in operating systems are clear as to their responsibilities and reporting lines.

### **10.3 Insurance**

**10.3.1 Arranging Cover:** The "Nominated Chief Officer with responsibility for Insurance" shall establish appropriate insurance cover for the Council and review it annually in consultation with relevant managers.

**10.3.2 Notification of Changes:** Managers should give notification to the "Nominated Chief Officer with responsibility for Insurance" of any circumstances, risks, purchases and disposals which may materially affect the insurance arrangements needed.

**10.3.3 Responsibility for Claims:** The "Nominated Chief Officer with responsibility for Insurance" shall negotiate all claims made on the Council's policies, in consultation with other officers as necessary.

**10.3.4 Notification of Claims:** Managers shall give prompt notification in writing to the "Nominated Strategic Finance Manager" of any loss, liability, damage or event likely to give rise to a claim by or against the Council.

**10.3.5 Contractor Cover:** Managers should ensure that suppliers, contractors, consultants or agents engaged must have insurance arrangements that adequately protect the Council's interests in accordance with [Financial Regulation Support Document 22](#).

### **10.4 Fraud and Corruption**

**10.4.1 Maintenance of Anti-fraud and Corruption Policy:** The "Nominated Chief Officer with responsibility for Counter fraud" is responsible for maintaining the Council's [Anti-Fraud and Corruption Policy](#).

**10.4.2 Duty to Report Financial Irregularity:** Where there is a suspicion of Financial Irregularity, it is the duty of all individuals to report the matter to their Manager, the "Nominated Audit Manager" or the Statutory Chief Finance Officer. Such disclosures will be treated in accordance with the

Council's Code of Practice for Confidential Reporting (also known as the **Raise a Concern Policy**).

- 10.4.3 The Nominated Audit Manager" should subsequently be notified of all investigations into fraud, corruption or impropriety and the outcomes.
- 10.4.4 **Investigation Procedure:** The "Nominated Audit Manager" should maintain an **Investigation Policy** and supporting procedures to determine how an investigation into an irregularity should be carried out. The **Investigation Policy** should be approved by the Chief Executive's Management Team.

## Regulation 11: Audit Arrangements

### 11.1 External Audit

- 11.1.1 The external auditors will be appointed in accordance with the Audit Commission Act 1998 or any Local Audit Acts which supersede it.
- 11.1.2 The Statutory Chief Finance Officer will work with the external auditors and advise the Council, Audit and Governance Committee, Executive and Directors on their responsibilities in relation to external audit.
- 11.1.3 The "Nominated Audit Manager" must ensure that there is effective liaison between internal and external audit.

### 11.2 Internal Audit

- 11.2.1 **Responsibility:** The Statutory Chief Finance Officer is responsible for maintaining an adequate and effective internal audit of its accounting records and of its system of internal control in compliance with the latest Accounts and Audit Regulations.
- 11.2.2 An annual report should be prepared for the Audit and Governance Committee on the activity and findings of the internal audit service.
- 11.2.3 The internal audit service should comply with the latest Public Sector Internal Audit Standards. This includes maintaining an Internal Audit Charter ([Financial Regulation Support Document 14](#)) which documents the purpose, authority and responsibility of the internal audit activity.
- 11.2.4 **Standard Powers of Auditors:** The Statutory Chief Finance Officer and members of the in-house Internal Audit and Corporate Fraud teams, whilst carrying out their duties, have the authority to:
  - a) *Premises:* Enter, at any reasonable time, any premises or land owned, leased or controlled by the Council.

- b) *Documents:* Examine all documents, correspondence or information held by employees, members of the council or other third parties, pertinent to their audit work.
- c) *Explanations:* Obtain such information and explanations from any employee or member as necessary concerning any matter under examination.
- d) *Property:* Require any Council employee, agent or member to produce cash, stores, ICT equipment, or other Council property under their control upon request.

These powers may also be conveyed on the auditors working under contract on agreement with the "Nominated Audit Manager" or Statutory Chief Finance Officer.

**11.2.5 Powers During an Investigation:** Where a significant irregularity is suspected the in-house Internal Audit and Corporate Fraud teams also have the authority to:

- e) *Property:* Carry out a search of or seize any Council owned property and equipment.
- f) *Access systems:* Require any Council employee or member to surrender any keys, cards, de-encryption codes, passwords or any other item or information needed to allow access to Council premises, assets or data.
- g) *Interception:* Intercept and review communications, data or information held on Council's own equipment such as internet logs, email, fax and phone messages.
- h) *Remove documents:* Remove any documents or other material which may be required as evidence.
- i) *Exclusion:* Require an employee to leave the Council's premises immediately.

Execution of these powers shall be in accordance with the Investigation policy and procedures of the Council.

**11.2.6 Responsibility of Auditees:** Auditees are responsible for:

- a) Maintaining a constructive approach to the audit process.
- b) Adhering to agreed timescales.
- c) Making available employees, documents, computerised systems and information in a timely manner.
- d) Providing accurate information to the best of their knowledge.
- e) Providing prompt responses to audit reports.
- f) Implementing any actions arising in a timely manner.

## Regulation 12: Treasury Management

### 12.1 Banking Arrangements

- 12.1.1 **Making Arrangements with the Bank:** All arrangements with the Council's bankers shall be negotiated by the "Nominated Chief Officer with responsibility for Treasury Management" who shall be authorised to operate such banking accounts as considered necessary.
- 12.1.2 **Official Bank Accounts only:** Individuals must not use personal bank accounts for any receipt or payment of monies related to the Council's affairs.
- 12.1.3 **Blank Cheques:** All forms of cheque shall only be ordered, issued and controlled by the "Nominated Chief Officer with responsibility for Treasury Management" who shall make proper arrangements for their safe custody.
- 12.1.4 **Cheque Signatures:** Cheques drawn on the Council's accounts shall bear the facsimile signature of the Statutory Chief Finance Officer (SCFO).
- 12.1.5 **Power to Open Cheques:** Cheques drawn on the Council's accounts can only be opened for encashment at the Council Offices by an officer who has been given that level of authorisation.
- 12.1.6 Exceptions to this are Housing Benefit cheques which can be authorised for encashment by the "Nominated Benefits Manager" or a nominated deputy.
- 12.1.7 **Reason to Open Cheques:** No cheque over £200 should be opened unless there is reasonable evidence that the payee does not have a bank account or other exceptional circumstances apply.
- 12.1.8 **Electronic Payments:** Where payments are to be transmitted electronically, the "Nominated Chief Officer with responsibility for Treasury Management" shall approve the procedures necessary to safeguard the authority against potential losses.
- 12.1.9 **Counter Signatures:** Supporting documents for any payment by cheque or electronic means to be drawn for more than **£50,000**, or **any manual cheque**, must be physically countersigned by another officer, authorised to do so, who was not the originator of the payment.
- 12.1.10 **Bank Statement Reconciliation:** In respect of the Council's main payment and receipt bank accounts, bank statements must be obtained on a daily basis and these must be promptly reconciled to records of transactions and reconciled to ledger postings at least monthly.

Duties should be separated such that those responsible for drawing or paying in monies do not undertake the reconciliation.



- 12.1.11 **Un-presented Cheques:** Cheques drawn on the Council's bank account which remain un-presented should be cancelled in accordance with [Financial Regulation Support Document 36](#).
- 12.1.12 **Procurement Cards:** Only the Nominated Chief Officer with responsibility for Exchequer functions" shall have the authority to arrange these systems of payment and agree credit limits.
- 12.1.13 **Procurement Cards:** Purchases by procurement card must follow the Council's approved **Procurement Card Policy and Guidelines**. This covers card usage, record keeping, supporting receipts, statement reconciliation and monitoring arrangements.
- 12.1.14 **Operation of Trust Funds:** Officers, who are required by their official capacity to operate a bank account for the control of charitable, community or other funds not belonging to the Council, must notify the Statutory Chief Finance Officer and have regard to any guidance given by the SCFO
- 12.1.15 **Third Party Funds and Assets:** No administration of any funds or assets held on behalf of third parties, is permissible except in exceptional cases approved by the Statutory Chief Finance Officer. A written record of all transactions must then be maintained

## 12.2 Treasury Management

- 12.2.1 **Adoption of Code of Practice:** Fareham Borough Council adopts the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services.
- 12.2.2 **Maintenance of Policy and TMPS:** Accordingly, Fareham Borough Council will create and maintain, as the cornerstones for effective treasury management:
- a **treasury management policy statement**, stating the policies and objectives of its treasury management activities. The policy must be approved by the Council after any significant change.
  - Suitable **Treasury Management Practices** (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- 12.2.3 **Responsibilities:** The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive, and will nominate a body to oversee that the implementation is in accordance with the **Treasury Management Strategy and Policy**.

- 12.2.4 The execution and administration of treasury management decisions is delegated to the "Nominated Chief Officer with responsibility for Treasury Management", who will act in accordance with the **policy statement and Treasury Management Practices** and CIPFA's Standard of Professional Practice on Treasury Management.
- 12.2.5 **Reporting:** The Council will receive reports on its treasury management policies, practices and activities, which will include, an annual strategy in advance of the year, and an annual report produced timely after its close, and any other reports in accordance with the Code of Practice.
- 12.2.6 The "Nominated Chief Officer with responsibility for Treasury Management", will report to the Executive at least **twice** a year on the activities of the treasury management operation and on the exercise of the delegated treasury management powers, including any breaches of the **Treasury Management Policy**. The last of these reports will be the annual report referred to in 12.2.5.

### 12.3 Loans and Investments

- 12.3.1 **Register of Assets and Liabilities:** All loans and investments shall be affected in the name of the Council by the SCFO who shall maintain a register of all negotiable instruments, stocks, bonds, mortgages and other securities held by the Council.
- 12.3.2 **Adequate records:** Adequate records of money borrowed and invested must be maintained.
- 12.3.3 **Security of Documents:** All documents of title to Council investments must be held securely by a nominated officer.

### 12.4 The Prudential Code

- 12.4.1 **Compliance:** The Council has a statutory duty to adopt and comply with "The Prudential Code for Capital Finance in Local Authorities", a professional code developed by CIPFA. The SCFO is responsible for ensuring that this duty is fulfilled.
- 12.4.2 **Setting the Indicators:** Each year as part of the formal budget setting process, the SCFO will report the Council's "Prudential Indicators" (as defined in the professional Code), to the Executive and Council. It is the responsibility of the SCFO to ensure that Members are presented with all matters to be taken into account when considering the indicators.
- 12.4.3 In setting or revising the indicators, the Council will have regard to the following matters:
- Affordability
  - Prudence
  - Sustainability
  - Value for money

- Stewardship of assets
- Service Objectives
- Practicality

Once adopted by the Council, the prudential indicators will act as a set of parameters within which the Council shall operate during the year.

- 12.4.4 **Treasury Management Indicators:** The SCFO will also ensure that the prudential indicators that relate to Treasury Management will be considered at the same time as the Council's Treasury Management Strategy.
- 12.4.5 **Monitoring and Control:** The SCFO must ensure that appropriate, robust processes are in place for monitoring performance against the indicators.
- 12.4.6 **Reporting Non-Compliance:** Where it is evident that one or more of these indicators has been, or is likely to be, breached the SCFO must make a report to the Executive as soon as is practicable to do so. This report should explain the reasons why the approved parameters have been (or are at risk of being) breached and recommend a course of action to be taken to rectify the situation.

## Regulation 13: Physical Assets

### 13.1 Overview

- 13.1.1 **Asset Register:** The Statutory Chief Finance Officer will maintain the 'Asset Register' which contains details of all assets leased or owned by the Council which exceed the Capital de-minimus levels. This must be maintained in accordance with the accounting policies of the Council.
- 13.1.2 **Updates to Asset Register:** Heads of Service will provide information as required by the Statutory Chief Finance Officer for the maintenance of the asset register.
- 13.1.3 **Due Care:** Heads of Service are responsible for maintaining proper security, care and protection of all building, equipment, vehicles, stocks, stores and cash under their control. This includes minimising the risks of natural hazards, theft, damage and misuse.
- 13.1.4 **Reporting of Thefts:** The Statutory Chief Finance Officer and Nominated Audit Manager shall be informed, as soon as possible, of any break-in, theft or attempt at such, and any loss otherwise suffered.
- 13.1.5 **Reporting of Losses:** The Statutory Chief Finance Officer and Nominated Audit Manager shall be informed of any missing equipment or significant shortfalls in stock as soon as possible after discovery, together with explanations for the loss, if known.

## 13.2 Land and Buildings

- 13.2.1 **Maintenance of Portfolio:** The "Nominated Chief Officer with responsibility for Estates" shall carry out an on-going review of the Council's land and buildings portfolio, to ensure it continues to meet the corporate objectives.
- 13.2.2 **Acquisition of Assets:** All negotiations for the purchase, occupation and development of land and buildings owned by third parties, or use of Council land (with the exception of casual lettings) should be carried out in liaison with the Property, Estates or Procurement teams, as appropriate to the acquisition. Any land acquisition over **£10,000** should be approved by the Executive Committee.
- 13.2.3 Any asset to be obtained by a leasing arrangement must be carried out in liaison with the Statutory Chief Finance officer and meet the conditions stipulated in [Financial Regulation Support Document 12](#).
- 13.2.4 **Property Terrier Record:** The "Nominated Chief Officer with responsibility for Estates" shall maintain a record of all land and buildings owned, mortgaged or leased by the Council (including dwellings provided under the Housing Acts) in accordance with appropriate professional practice.
- 13.2.5 **Clear responsibilities:** The "Nominated Chief Officer with responsibility for Estates" is responsible for ensuring that the Council's arrangements for managing land and buildings owned, mortgaged or leased by the Council, are formally documented as [Financial Regulation Support Document 41](#).

This should include responsibilities for the following:

- Custody and security of the title deeds.
- Security of buildings in accordance with [Financial Regulation Support Document 34: Security of Premises Policy and Guidance](#).
- Arranging for appropriate insurance cover.
- Carrying out condition surveys and prioritising the works.
- Management of budget allocations for building maintenance.
- Procurement of repairs and maintenance works.
- Record keeping of the repairs and maintenance carried out.
- Carrying out and recording inspections of land and buildings.
- Carrying out and acting upon the results of corporate premises hazard and health and safety risk assessments.
- Carrying out and acting upon the results of energy efficiency assessments.

## 13.3 Furniture, Equipment, Vehicles and Plant

- 13.3.1 **Records of Assets held:** The Transport Manager will maintain appropriate records of the vehicles and plant held by the Council

- 13.3.2 The “Nominated Head of Service for ICT” will maintain appropriate records of the IT equipment held by the Council.
- 13.3.3 Heads of Service will maintain appropriate records of all other furniture, equipment, heritage or infrastructure assets held or deployed by their service.

This will include maintaining an up to date inventory of all individual items with a purchase value in excess of **£200**, plus items considered by the Head of Service to be of high importance to the service, vulnerable to loss and/or which could be the subject of an insurance claim if lost or damaged.

- 13.3.4 The inventory records maintained should include the minimum information determined by the Statutory Chief Finance Officer.
- 13.3.5 **Loans of Equipment:** Council property (owned or hired) should not be removed other than in the ordinary course of the Council's business except in accordance with directions issued by the Head of Service concerned.
- 13.3.6 **Inventory Checks:** Heads of Service should arrange for the accuracy of the inventory to be verified periodically at a frequency appropriate to the risk of loss of the individual items recorded.

#### 13.4 Stocks and Stores

- 13.4.1 **Stock levels:** Heads of Service must make arrangements for the maintenance of reasonable levels of stocks and stores in his/her control. The level of stock considered reasonable should be that necessary for the effective delivery of the service.
- 13.4.2 **Records of Stock Levels and Movements:** Heads of Service should ensure that appropriate up to date records of the level and value of stocks and stores held are maintained. This should include appropriate records of movements in stock. The Statutory Chief Finance Officer shall be entitled to receive on demand details of the quantities and values held.
- 13.4.3 **Stock Checks:** Periodical physical examinations of stocks and stores held, against the stock records, should be carried out at a frequency based on the value and vulnerability of the stock.

#### 13.5 Disposal of Assets

- 13.5.1 **Disposal of Assets:** Any land, building or other asset that the Council wishes to sell, transfer its interest in, or otherwise dispose of, should be done in a way that achieves the best consideration for the Council.
- 13.5.2 **Disposal of ICT equipment:** ICT equipment can only be disposed of by ICT Services, and if it is considered redundant in accordance with the ICT Strategy.
- 13.5.3 **Disposal of Land and Buildings:** Land and buildings can only be disposed of in conjunction with the “Nominated Chief Officer with responsibility for Estates” and in accordance with the Disposal Strategy. Any valuations must

be undertaken by the "Nominated Estates Manager" or a suitably qualified person.

13.5.4 **Methods of Disposal of Assets over £1,000:** The following are approved methods of disposal for assets with an estimated potential market value at the time of disposal of £1,000 or more:

- Public Advert or Notice, inviting tenders in accordance with the Council's Contract Procedure Rules;
- Advertisement in specialised journals
- Use of Approved Estate Agents
- Use of Auctions (with a reserve price)
- Part Exchange for Replacements
- Negotiations with neighbouring land owners
- Sealed Bids opened by service with two officers present
- Any other method of disposal endorsed by the "Nominated Chief Officer with responsibility for Estates" (land and buildings) or "Nominated Chief Officer with responsibility for Procurement" (other).

Where the estimated asset value is greater than **£10,000** the method of disposal would normally involve open competitive tenders, unless it can be justified that this would not be in the Council's best interest.

13.5.5 **Methods of Disposal of Assets Under £1,000:** Disposal of assets under **£1,000** should be carried out in accordance with the [Financial Regulations Support Document 42-Policy for Disposal of Council items, equipment, waste and materials in the Council's control](#).

13.5.6 **Authorisation of Disposal:** The method of disposal proposed to achieve the best consideration for the Council must be authorised, and the final disposal reported, in accordance with the table below:

Type of Asset	Estimated potential market value at the time of disposal	Approval of Method of Disposal	Reporting of Disposal
All	<b>More than £10,000</b>	Executive Committee	Report to Executive Committee <u>prior</u> to disposal if price to be achieved is below the valuation.
Land and buildings	<b>£10,000 or less</b>	The Nominated Chief Officer with responsibility for Estates	Report to Executive portfolio holder for Policy, Strategy and Finance <u>after</u> disposal.
Furniture, Equipment, Vehicles, Plant, Stocks	<b>£1,000 to £10,000</b>	Director and Statutory Chief Finance Officer	None
Furniture, Equipment, Vehicles, Plant,	<b>Less than £1,000</b>	Head of Service	None

- 13.5.7 **Release of Asset:** The asset should not be released until receipt of the income has been confirmed.
- 13.5.8 **Exemptions:** The disposal rules above do not apply to properties that are sold as a result of a statutory obligation.

## Regulation 14: Other Council Assets

- 14.1 **IT Systems:** IT system administrators are responsible for maintaining the security of the data held on any system under their control.
- 14.2 The Statutory Chief Finance Officer should be notified of any proposals to introduce or change an IT system that affects the recording of financial transactions.
- 14.3 **Intellectual Property:** Information, data and methodologies created using Council resources remain the property of the Council, unless otherwise agreed by the appropriate Director.
- 14.4 **Document Retention:** Any documents of a financial nature shall be retained for the period stipulated in the Council's Information Disposal Schedule. Where a document is not listed then it should be retained for the minimum periods required for accounting and taxation purposes.
- 14.5 **Controlled Stationery:** The Director with responsibility for that service is responsible for ordering and safeguarding stocks of any stationery that has a financial value such as blank cheques, receipt books, rail warrants and parking permits.
- 14.6 Appropriate records should be kept to account for the issue and use of the controlled stationery.

## Regulation 16: Ordering and Paying for Works, Goods and Services

### 16.1 General Principles

- 16.1.1 **Nature of Purchasing:** This regulation applies to the purchase of goods, services or works. It excludes transactions which form part of the Council's Treasury Management processes.
- 16.1.2 **Emergency Responses:** In the event of the Council being involved in an emergency response, such that a control centre has been established, some of the rules contained in this regulation can be waived in accordance with [Financial Regulation Support Document 29](#).

- 16.1.3 **No Personal Gain:** Employees should not achieve any personal gain when making a purchase for the Council. Orders may only be placed for Council supplies. They must not be used for personal purchases under any circumstances.
- 16.1.4 **Procurement Rules:** Purchasing must be carried out in accordance with the **Procurement and Contract Procedure Rules** which explain the rules and thresholds for ordering and sourcing.
- 16.1.5 **Separation of Duties:** There should be a least 2 council officers, other than the Accounts Payable Section, involved at some point in the chain of ordering, receipt of goods and payment of invoices.
- 16.1.6 **Authorised Officers:** Orders and invoice payments can only be authorised by council officers nominated to do so in accordance with [Financial Regulation 4](#).
- 16.1.7 **Authoriser Checks:** The authorising officer is responsible for verifying that:
- the expenditure is for a purpose approved by the Council and is within the Council's statutory powers to incur;
  - the correct procurement approach has been taken for the level of spend with that supplier, as set out in the **Procurement and Contract Procedure Rules**;
  - an order or payment for the same purchase has not already been placed or made, through the same or another procurement channel;
  - the value of the order or invoice is correct, any extra costs, such as delivery charges, have been included and any applicable discounts have been taken;
  - VAT has been correctly identified and coded in accordance with [Financial Regulation Support Document 10a-d](#);
  - Income tax deductions have been correctly accounted for on payments to sub-contractors in accordance with [Financial Regulation 20](#);
  - the cost has been coded appropriately and budget is available to cover the cost of the order or invoice in accordance with [Financial Regulation 4.4](#).
- 16.1.8 **Additional Authoriser Checks for Invoices:** Where the authorising officer is certifying an invoice for payment, due to no order having been raised, they should also satisfy themselves of the following before authorisation is given:
- the goods or services have been received or the work carried out satisfactorily;
  - the details and prices as stated on the invoice are in accordance with that requested or expected by the Council;
  - the invoice is arithmetically correct.



## 16.2 Orders

16.2.1 **Timing of Order:** Orders for all works, goods and services must be raised at the time the supply / service is requested and prior to the goods being received.

16.2.2 **Exemptions:** Raising orders may not be appropriate in the following circumstances:

- purchases using petty cash floats as covered in [Regulation 17](#);
- purchases made using the Council's Government Procurement Cards (GPC) in accordance with the approved **Procurement Card Policy and Guidelines**;
- works or services provided under contract where the requirements of the Council's **Procurement and Contract Procedure Rules** apply;
- any other exceptions approved by the Statutory Chief Finance Officer.

16.2.3 **Information Contained on Orders:** Orders must indicate the nature, period of supply, and/or quantity of the work, goods or services required and the agreed value of these. In normal circumstances, prices should be pre-agreed, "fixed and firm including delivery charges" excluding VAT.

16.2.4 **Verbal Orders:** Urgent orders may be placed verbally, by an officer authorised to incur expenditure. The supplier should be advised that the order is subject to the Council's standard terms and conditions of purchase. Such orders shall be confirmed as soon as possible by an official order detailing the purchase and indicating that the supplier provides the goods or service in line with instructions previously issued.

16.2.5 **Budgetary Control:** Outstanding commitments and accruals against budgets for incomplete orders should be checked periodically, and at least annually, to ensure management accounting information is accurate.

## 16.3 Receipt of Goods and Services

16.3.1 **Processing Order to Goods Received stage:** The order record should be updated promptly when the works, goods and services have been supplied, once the following checks have been satisfied:

- there is confirmation by a Council Officer that all the required goods or services on the original order, have been received or the work carried out satisfactorily;
- there have been no additional goods and services provided outside of the original order;
- appropriate entries have been made in stores, inventory or other records.

16.3.2 **Disputes and Credit Notes:** Any orders where problems have been found with the works, goods and services should be placed in dispute and the invoice payment withheld until the dispute is resolved.

In these circumstances an appropriate officer from the service making the purchase should:

- raise the matter promptly with the supplier and keep a record of all ensuing negotiations;
- request a credit note or replacement goods for goods returned or incomplete deliveries;
- stop the goods received note being processed against the order;
- inform the Accounts Payable team that the invoice is in dispute.

## 16.4 Payment of Invoices

- 16.4.1 **Form of Invoice:** Invoices can only be paid if they are supplied in a form recognisable as such by H.M. Revenues and Customs, and clearly show what, if any, VAT has been added to the purchase.
- 16.1.2 Payments must not be made on Proforma invoices or Statements of Account, except in circumstances approved by the Nominated Operational Finance Manager.
- 16.4.3 **Suppliers Statements:** Suppliers Statements should be passed to the Accounts Payable who will check the accuracy of the payments listed to those recorded on the Purchase Ledger. Special attention should be made to reconcile any credit notes and unallocated cash listed on the statement, which are not reflected in the Council's Purchase Ledger. Any queries found should be raised with the supplier.
- 16.4.4 **Transfer of Invoice:** Invoices should be passed to the Accounts Payable Section at the earliest opportunity, for registering in the financial management system. They shall be entitled to make any enquiries necessary to determine the authenticity and accuracy of the payment.
- 16.4.5 **Responsibilities of the Accounts Payable Section:** The Accounts Payable Section are responsible for checking that *the right people are being paid the right amount and in accordance with the right payment terms*.

They should carry out the following checks on invoices received before processing them for payment:

- the service making the purchase has confirmed that all the works, goods and services have been received and there are no outstanding disputes with the supplier;
  - the order or invoice has been appropriately authorised;
  - a payment has not already been made for the invoice in question;
  - the payment will be made to the correct supplier.
- 16.4.6 **Authority to Make Payments:** The payment of all monies due from the Council shall be made by the Nominated Chief Officer with responsibility for Exchequer functions", with the exception of authorised petty cash transactions.

- 16.4.7 **Dispatch of Cheques:** Cheques should be dispatched by post except in exceptional circumstances.
- 16.4.8 **Payment Errors:** Any payment error that comes to the attention of an employee must be brought immediately to the attention of the budget holder and the Accounts Payable Section, who should provide assistance in the timely resolution of disputes with suppliers.
- 16.4.9 **Advance Payments:** Payments should only be made in advance in exceptional cases where it is not appropriate to use a Government Procurement Card and the purchase needs to be secured in accordance with the supplier's terms (e.g. for a training course). Where possible, an interim payment should be paid rather than the full amount.
- 16.4.10 In making an advance payment employees must be confident that the goods or service will be received and be of an adequate quality, or a refund will be achievable. In all cases an invoice or VAT receipt must be subsequently obtained and processed.
- 16.4.11 **Urgent Payments:** The need for urgent payments should be kept to a minimum and only used where there is a genuine need. Work flows should be organised to avoid using urgent payments, wherever possible

## Regulation 17: Petty Cash and Floats

### 17.1 Petty Cash and Float Holders

- 17.1.1 **Provision:** The "Nominated Chief Officer with responsibility for Exchequer functions" shall provide petty cash accounts and floats as s/he considers appropriate for council services.
- 17.1.2 Any petty cash or float provided should be operated in accordance with [Financial Regulation Support Document 32](#).
- 17.1.3 **Record of Provision:** The "Nominated Chief Officer with responsibility for Exchequer functions" shall maintain a record of authorised petty cash accounts and floats.
- 17.1.4 **Security:** Petty cash and float holders are responsible for the safekeeping of the cash and must keep a record of any money paid into or out of the account.
- 17.1.5 **Balancing Accounts:** Accounts and floats should be balanced to the total advanced, on a regular basis.
- 17.1.6 All balancing should be appropriately documented which includes a signature and date of the person carrying out the reconciliation. Any discrepancies found **over £25** should be reported to the line manager and "Nominated Audit Manager".

- 17.1.7 **Certificate:** Officers responsible for a petty cash account or a float shall, provide the Statutory Chief Finance Officer with a certificate of the sum held whether in cash or vouchers, when requested.
- 17.1.8 **Leavers:** Heads of Service or managers shall ensure that any staff member has accounted to the Statutory Chief Finance Officer for the amount advanced prior to the staff member leaving the employment of the Council, or otherwise ceasing to hold an imprest account

## 17.2 Reimbursement from Petty Cash

- 17.2.1 **Use of Petty Cash:** Petty cash will only be used as a method of procurement as a last resort and then only for low value expenditure.
- 17.2.2 **Receipts:** All claims from petty cash should be made on an official voucher form and supported by proof of expenditure such as a receipt.
- 17.2.3 **Authorisation:** Cash advances and reimbursements can only be authorised by council officers nominated to do so in accordance with [Financial Regulation 4](#).

# Regulation 18: Payments to Employees and Members

## 18.1 Salaries and Allowances

- 18.1.1 **Overall Responsibility:** The payment of all salaries and other payments to employees shall be made by or under arrangements approved by the Statutory Chief Finance Officer.
- 18.1.2 **Changes to Establishment:** Responsible Officers must follow any corporate processes put in place to control changes made to their employee establishment or salary and allowance payments associated with a post, seeking guidance from finance and personnel as needed.
- 18.1.3 **Changes to Post-holders:** Responsible Officers must follow any corporate processes in place to manage appointments, resignations, dismissals, absences from duty and other such information required in connection with the calculation and payment of salaries and wages. These must be done promptly to avoid unnecessary salary corrections after payment is made.
- 18.1.4 **Budgetary Control:** Responsible Officers must ensure proper financial control of their employee budgets in accordance with their revenue expenditure responsibilities.

## 18.2 Employee Expenses and Deductions

- 18.2.1 **Making an expense claim:** Claims made must contain all necessary information, be made promptly, normally a month in arrears, and be authorised by an appropriate manager before being considered for payment. Corporate processes will be put in place to ensure these requirements are met.
- 18.2.2 **Proof of Expenditure:** VAT receipts as proof of expenditure must be obtained and submitted with the claim form before reimbursement is made. Car park tickets are acceptable for proof of parking expenditure.
- 18.2.3 **Authorisation Checks:** An authorising officer certifying a claim must be satisfied that:
- a) the time or expenditure claimed is reasonable and accurate;
  - b) the duties or activities described have been performed;
  - c) payment is in accordance with the employee's contract of employment or Local / National agreements on Pay and Conditions of Service.
- 18.2.4 **Deductions:** Deductions from salaries must be in accordance with the Wages Act 1986, which requires specific written employee authorisation before any deduction can be made, unless covered by statute or other legal order. These should then be appropriately accounted for and paid promptly to the receiving bodies.
- 18.2.5 **Travel Claims:** Individuals are responsible for establishing the most economical and feasible method of transport to make work related journeys.
- 18.2.6 Any use of personal cars for work related travel must be in accordance with the Council's **Transport Policy**.
- 18.2.7 When travelling from home, claims should only be made for expenditure above that which would normally be incurred by an employee travelling from home to the normal place of duty.
- 18.2.8 **Rail Warrant Books:** Rail warrants should only be used for authorised work related journeys. All books of rail warrants must be accounted for and records maintained of their use.

## 18.3 Payments to Councillors and Co-opted Members

- 18.3.1 **Policy formulation:** Allowances and expenses paid to councillors and co-opted members should be in accordance with a Council approved scheme.
- 18.3.2 **Publication of Allowances:** The Monitoring Officer will ensure that the approved scheme is published as required by the Local Authorities (Members' Allowances) Regulations 2003 (as amended).

- 18.3.3 **Payment Procedure:** Payments to members will be paid in accordance with the procedure approved by the Council.
- 18.3.4 **Proofs of Expenditure:** VAT receipts as proof of expenditure for any expenses claims must be obtained and submitted with the claim form before reimbursement is made. Car park tickets are acceptable for proof of parking expenditure.

## Regulation 19: Income Collection and Banking

### 19.1 General Principles

- 19.1.1 **Fees and Charges:** Except where the Council has no discretion, all fees and charges should be reviewed at least annually and approved by the Executive.
- 19.1.2 **Collection Methods:** The income collection methods employed should ensure the efficient and prompt collection of income due and comply with the Council's **Collection and Recovery Policy**.
- 19.1.3 **Separation of Duties:** There should be more than one person involved in the process for raising accounts, receiving and banking the income and reconciling or verifying the reconciliation of income collected.
- 19.1.4 **Responsibility for Income Collection:** All arrangements for the collection of income are subject to the approval of the Statutory Chief Finance Officer. Directors are responsible for ensuring that all income due is collected in accordance with Council policy.
- 19.1.5 **Point of Collection:** Income should be collected in advance wherever possible and appropriate, or at the point of sale.
- 19.1.6 **Security:** Appropriate arrangements must be made for all income collected to safeguard against loss or theft.
- 19.1.7 **Cash in Transit:** Where income is being collected away from the main Council buildings, appropriate consideration should be given to the security arrangements for both the cash and the personnel involved, in accordance with **Financial Regulation Support Document 35 - Cash in Transit**.
- 19.1.8 **Timeliness:** All income received should be banked in full as soon as practical and within 5 working days. All income received should be processed promptly into the Council's financial accounting systems.
- 19.1.9 **Completeness:** Appropriate arrangements should be used to confirm that all monies collected have been accounted for. Attempts should be made to resolve any variations found, in consultation with the line manager. Appropriate records should be kept.

## 19.2 Invoices for Income due to the Council

- 19.2.1 **Notification of Debts:** Services should supply the “Nominated Chief Officer with responsibility for Exchequer functions” with all the information necessary for him/her to secure promptly the complete and accurate recording, collection and recovery of sums due to the Council.
- 19.2.2 **Supporting Documentation:** Services should ensure that adequate documentation is kept to support accounts raised on their behalf.
- 19.2.3 **Form of Invoices:** Invoices for all sums payable to the Council should only be raised in a form approved by the Nominated Chief Officer with responsibility for Exchequer functions"
- 19.2.4 **Information on Accounts:** All accounts must detail:
- a) the full name and address of the legal entity responsible for the debt, including relevant contact details;
  - b) a description of the goods or services supplied, what it is for, how and when it was incurred and any special conditions relating to the supply;
  - c) the price to be paid for the goods or service, and where appropriate the rate and value of VAT and the total sum to be paid;
  - d) the terms and conditions of payment including stage payments if appropriate.
- 19.2.5 **Timing of Accounts:** Invoices which cannot be raised in advance should be raised at the earliest opportunity after supply and within **30 days** of the value of the charge being known.
- 19.2.6 **Credit Notes:** No debt can be cancelled once raised except by payment or write off. A credit note should be issued to correct factual inaccuracy or administrative errors in the calculation or billing of debt.

## 19.3 Income Collection

- 19.3.1 **Post Opening:** At least two employees must be present when post, which is expected to contain income, is opened. A record of the total income and the number of items received in a post opening session must be maintained.
- 19.3.2 **Records of Collection:** Appropriate records must be maintained of any payments received in person at the time of collection.
- 19.3.3 **Counterfeit Notes:** Any bank notes received in person should be checked to ensure they are genuine, in accordance with [Support Doc 33 - Detection and Handling of Counterfeit Notes](#), before they are accepted.

- 19.3.4 **Money Laundering:** Any large payment received in cash must be handled in accordance with the Council's [Money Laundering Policy \(Financial Regulation Support Document 30\)](#).
- 19.3.5 **Use of Official Receipts:** Only official receipts or arrangements approved by the "Nominated Chief Officer with responsibility for Exchequer functions" should be used to acknowledge receipt of income received.
- 19.3.6 Records should be kept of any receipts issued and stored for the required retention period.
- 19.3.7 Payments received via electronic transfer, direct debit, BACS, cheque or some other non-cash method do not require a formal receipt unless requested by the payer.
- 19.3.8 **Substitution:** No means should be used to exchange cash collected on behalf of the Council for personal purposes.
- 19.3.9 **Unidentified Income:** Any unidentified income received should be accepted and banked and allocated to the correct account as soon as possible.
- 19.3.10 **Transfer of Income:** Every transfer of official money from one member of staff to another must be recorded and signed for by the receiving officer. On no account shall cash or cheques be transferred between sections using the internal post system.

#### 19.4 Recovery and Write-Offs

- 19.4.1 **Recovery Procedures:** Services must establish appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly. Any recovery procedure utilised must conform to the Council's [Collection and Recovery Policy](#).
- 19.4.2 **Write-Offs:** Debts due to the Council may only be written off in accordance with the following rules:-
- a) by designated officers of a service where the debt is **£50** or less and appropriate steps have been taken to collect the debt such that it has been deemed irrecoverable. The write off should subsequently appear on the monitoring reports received by the Statutory Chief Finance Officer or Nominated General Finance Manager;
  - b) by designated officers of the housing service where the Former Tenant arrears debts are **£200** or less and appropriate steps have been taken to collect the debt such that it has been deemed irrecoverable. The write off should subsequently appear on the monitoring reports received by the Statutory Chief Finance Officer or Nominated General Finance Manager;
  - c) by the Statutory Chief Finance Officer or Nominated General Finance Manager for other debts where the amount for any one debtor is less than **£5,000**;



- d) if they are **penalty charge notices** they can be cancelled in accordance with the **Parking Enforcement Policy**, or written off under the authority of the Nominated Director or Head of Service with responsibility for Enforcement;
  - e) if they relate to housing rent income which has been waived as **rent free weeks** under the authority of the Nominated Director or Head of Service with responsibility for Housing;
  - f) in all other cases by the Executive, or other relevant committee.
  - g) The total value and number of write-offs carried out by officers, under the delegated powers outlined above, should be reported to the relevant committee each year.
- 19.4.3 Sufficient information about the debt and recovery action taken must be provided and documented before authorisation for write-off can be given.
- 19.4.4 A list of officers designated to write off debts in accordance with this policy will be maintained as part of the “Posts assigned to the roles required by Financial Regulations” document.
- 19.4.5 A record must be kept of all write-offs authorised and actioned which is totalled at the end of each financial year.

## Regulation 20: Taxation

- 20.1 **Providing Advice:** The Statutory Chief Finance Officer is responsible for advising Directors and Chief Officers, in the light of guidance issued by appropriate bodies and relevant legislation as it applies, on all taxation issues that affect the authority.
- 20.2 **Responsibility for Tax Management:** The Statutory Chief Finance Officer is responsible for tax planning, maintaining the Council’s tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date, as appropriate.
- 20.3 **Responsibilities for Tax Administration:** Specific responsibilities for the administration of taxes should be fulfilled in accordance with **Financial Regulation Support Document 23**.
- 20.4 **Tax Consideration:** Managers should seek advice on the tax implications of delivering their service, including the engagement of individuals and businesses.
- 20.5 **Accuracy of Tax Transactions:** Anyone instigating or authorising an order, invoice, petty cash claim or the collection of income should ensure that tax transactions are:

- a) calculated in accordance with the relevant statutory regulations;
- b) assigned the correct tax code;
- c) recorded at the appropriate time;
- d) accounted for in the proper tax period;
- e) documented appropriately.

## Regulation 21: Alternative Ways of Delivering Services

- 21.1 Alternative methods of service delivery will be considered where they:
- are legally permissible;
  - have clear aims and objectives;
  - make a positive contribution to the achievement of the Council’s corporate objectives;
  - do not put the Council at an inappropriate risk.
- 21.2 Before entering into an alternative method of service delivery appropriate legal and finance advice should be obtained and appropriate governance arrangements should have been considered.
- 21.3 The Statutory Officers are responsible for promoting and maintaining the same high standards of conduct and stewardship, in alternative methods of service delivery, as apply for the Council.

*Examples of what the **Statutory Chief Finance Officer** should consider are:*

- *Who is the accountable party for the funds and other assets of the enterprise?*
- *What set of Financial Regulations and Contract Procedure Rules are to be followed by the enterprise?*
- *Budget forecasting and funding mechanisms.*
- *Expenditure approval processes and limits.*
- *The financial accounting, monitoring, reporting and record keeping arrangements.*
- *Taxation implications*
- *Ownership and audit accessibility to records.*
- *Risk Management and Business Continuity Arrangements.*

*Examples of what the **Monitoring Officer** should consider are:*

- *Format and content of agreement between the parties involved.*
- *Membership, roles and responsibility and powers of each party.*
- *Management, meeting and reporting structures, including reporting arrangements to FBC members.*
- *Appropriate codes of conduct to be followed by members of the*

*enterprise's "Board".*

- *Decision Making Processes.*
- *Processes to allow rules and agreements to be modified.*
- *Exit Strategy.*

- 21.4 **Approval:** All significant alternative methods of service delivery must be approved by the Executive or other appropriate Committee on receipt of a written report.

*The Council's definition of a significant partnership is a partnership that:*

- a. is a legal requirement or based on statutory guidance; or*
- b. it commissions or delivers activities at a borough wide or local level that contribute substantially towards the Corporate Strategy outcomes; and*
- c. there is a significant risk to the Council if there is under-performance in this area.*

*The responsible director will determine whether a proposal meets these criteria in consultation with the Statutory Officers.*

## Regulation 22: External Funding

- 22.1 **Funding Implications:** Directors must confirm with the Statutory Chief Finance Officer that the Council will be able to fulfil any significant financial obligations arising from external funding agreements before entering into them.
- 22.2 **Use of Funds:** The lead applicant must ensure that any external funds are claimed within the required timescale and are properly spent and recorded in accordance with the scheme.

## GLOSSARY

### Accruals

Accruals relate to goods or services received for which an invoice has not yet been paid.

### Accounting Policies and Procedures

These relate to the policies, procedures and records needed to ensure that all financial transactions are recorded completely and accurately in a form that allows the annual accounts to be a *true and fair* representation of the authority's affairs.

### Accounting Practices

These relate to the practices used to produce the Annual Statement of Accounts. They primarily comprise the Code of Practice of Local Authority Accounting in the United Kingdom and the Service Reporting Code of practice, supported by International Financial Reporting Standards (IFRS)

### Agents

An agent is any external contractor, consultant or agent working on the Council's behalf.

### Asset Management Plan

This is a medium-term document laying out the strategic objectives and priorities for capital expenditure and asset utilisation.

### Budgetary Control

Budgetary control relates to the monitoring and control of actual income and expenditure against the budgets set. The main responsibility for budgetary control lies with the nominated 'budget holder' for that budget.

Budgetary monitoring should include details of commitments (orders raised), accruals (goods received) as well as payments actually made and income received.

Generally control should be exercised at the lowest level of detail shown in the budget. However, more significance is given in these regulations to control at the 'Net Budget Book' levels (i.e. services listed as a line in the Council's estimates book).

## **The Capital Programme**

The Capital Programme covers expenditure of a high value which usually results in a Council asset with a life expectancy of more than 1 year. Such expenditure is termed as being 'capitalised' in that it will be incurred over more than one financial year. The programme therefore consists of construction schemes, improvement schemes and purchases of high value or high volume assets.

## **Commitments**

Commitments relate to orders raised but where the goods or services have yet to be received.

## **Employee**

An employee under these regulations is any paid or unpaid permanent, casual or temporary member of staff employed by Fareham Borough Council.

## **Employee Expenses and Deductions**

These relate to expense claims and deductions which are added to or subtracted from the regular salary and allowance payments. Examples of claims would be overtime, or travel and subsistence. Examples of deductions would be union subscriptions.

## **Expenditure**

Expenditure relates to any process, which places a commitment on the Council to commit or spend its monetary resources. These processes include authorising orders, invoices or any type of reimbursement. They do not relate to the administrative activities supporting these processes e.g. setting up an electronic order.

## **Financial Strategy**

This is a medium term document laying out the Councils' projected resources and commitments over a 3-year period, and any actions needed to meet corporate aims and objectives.

## **Financing Arrangements**

These set the limits and controls on methods by which expenditure of the Council can be met.

## **Financial Statements**

These comprise of annual reports that relate to the Council's financial position.

The Annual Statement of Accounts is a public document that includes:

- Outturn actual revenue income and expenditure for the Council in the previous year (Comprehensive Income and Expenditure Statement)
- The Authority's Assets and Liabilities (Balance Sheet)
- Movements in Reserves Statement
- Cash flow for the year (Cash Flow statement).
- Notes to the Accounts
- Housing Revenue Account
- Income Collection in relation to Council Tax and NNDR (Collection Fund),

In addition an Annual Governance Statement must accompany the Annual Statement of Accounts.

### **Floats**

Floats are small amounts of cash maintained on site for the purpose of giving change to customers.

### **Journal Transfers**

Journal transfers relate to the permanent transfer of actual income and expenditure from one part of the Council's accounts to another. These are usually a one-off transaction or involve the management of a temporary holding account.

### **Non-Tangible Assets**

Assets which are less tangible or easy to value such as staff, council information and documents and ICT data.

### **Outturn**

Outturn relates to the Authority's final income and expenditure position at the year-end, in relation to the budgets set.

### **Overspend**

Overspending rules relate to overspends against expenditure budgets or the underachievement of income budgets.

### **Payments to Councillors and Co-opted Members**

These relate to allowances approved by the Council for Councillors conducting their official business. Allowances may also be paid to non-councillors who are appointed to sit on any Council Committee, Board or Panel.

The latest scheme of allowances for the Council is available on the Internet. Any queries on allowances should be referred to Democratic Services.

## Petty Cash

Petty cash accounts (sometimes known as imprest accounts) are small amounts of cash maintained on site to allow employees to make small purchases where the formal ordering process would be considered inefficient in relation to the purchase being made.

Use of petty cash may be by cash advancement or as a reimbursement for expenditure incurred from personal monies, on receipt of an approved claim voucher.

## Physical Assets

Physical assets are things such as land, buildings, equipment or stock, which would be expected to feature as fixed assets on a balance sheet. They differ from Non-tangible assets.

## Provisions and Reserves

These cover balances and earmarked reserves put aside to cover future revenue and capital expenditure.

## The Prudential Code

This code sets out a framework for capital finance, borrowing and managing investment decisions within the principles of prudence, affordability and sustainability.

## Revenue Budgets

Revenue budgets cover expenditure and income 'estimates' which will be incurred within one financial year. The budget cycle should be aligned to the policy planning process and budgets set should support the delivery of the Council's aims and objectives.

## The Statutory Chief Finance Officer

The post-holder designated to hold the statutory post which is responsible for the administration of the local authority's financial affairs under Section 151 of the Local Government Act 1972. Appendix B gives the current post-holder allocated.

## Supplementary Estimates

A Supplementary estimate is a temporary or permanent addition to a net budget provision.

## **Treasury Management**

Treasury Management covers all activities associated with any monies borrowed (Loans) or invested (Investments) on behalf of the Council irrespective of the time period covered by the transactions. It also covers the management and control of the Council's banking arrangements which include Giro and procurement cards.

## **Virements**

Virements are the temporary transfer of surplus budget provision between 'estimate' headings which do not impact on the delivery of a service. These do not affect the base budgets for future years.



# FAREHAM

## BOROUGH COUNCIL

### Posts Assigned to the Roles Required by Financial Regulations

April 2019

The following posts within the Council's establishment have been appointed by the Chief Executive Officer to fulfil the roles required by the Councils' Financial Regulations:

Roles	Current Post Fulfilling the Role	Officer Name	Regulations with this Role	Specific Requirements of Role
<b>STATUTORY OFFICERS</b>				
Head of Paid Service	Chief Executive Officer	Peter Grimwood	2	Overall corporate management and operational activity Provision of professional advice to all parties and committees in the decision-making process. Maintain records of Council decisions (with Monitoring Officer)
Statutory Chief Finance Officer	Deputy Chief Executive Officer	Andrew Wannell	Status, 2, 4, 6, 7, 8, 10, 11, 12, 13, 14, 16, 17, 19, 20, 21	Numerous - including maintaining Financial Regulations
Monitoring Officer	Director of Support Services	Sarah Robinson	2, 18.3, 21.1	Contribute to the promotion and maintenance of high standards of conduct through provision of support to the Audit and Governance Committee.

Roles	Current Post Fulfilling the Role	Officer Name	Regulations with this Role	Specific Requirements of Role
				<p>Maintain the constitution and make it available for consultation.</p> <p>Maintain records of Council decisions (with Head of Paid Service)</p> <p>Advise the Executive if their decisions are not within the budget and policy framework.</p> <p>Ensure that the approved scheme for Payments to Councillors and Co-opted Members is published as required by the Local Authorities (Members' Allowances) Regulations 2003 (as amended).</p> <p>Produce a Section 5 report to the Council or the Executive, as appropriate, after consultation with the Head of Paid Service and Statutory Chief Finance Officer, if any proposal, decision or omission will give rise to unlawfulness or maladministration.</p> <p>Approve exemptions from Contract Standing Orders</p> <p>Approval of use of POPs form of contract for procurement of goods over £50,000.</p> <p>Agree format of partnership agreements.</p>
<b>OTHER CHIEF OFFICER ROLES</b>				
Nominated Chief Officer with responsibility for Risk Management	Deputy Chief Executive Officer	Andrew Wannell	10.1	Maintain the Council's Risk Management Policy and Business Continuity Policy
Nominated Chief Officer with responsibility for Insurance	Deputy Chief Executive Officer	Andrew Wannell	10.3	<p>Establish appropriate insurance cover and review it annually in consultation with relevant managers.</p> <p>Negotiate all claims made on the Council's policies, in consultation with other officers as necessary</p> <p>Receive reports of any loss, liability, damage or event likely to give rise to a claim by or against the Council</p>

Roles	Current Post Fulfilling the Role	Officer Name	Regulations with this Role	Specific Requirements of Role
Nominated Chief Officer with responsibility for Treasury Management	Deputy Chief Executive Officer	Andrew Wannell	12	<p>Execution and administration of treasury management decisions in accordance with the Treasury Management Policy Statement and Treasury Management Practices and CIPFA's Standard of Professional Practice on Treasury Management.</p> <p>Negotiate arrangements with the Councils Bankers Order, issue and control all forms of cheques and make proper arrangements for their safe custody.</p> <p>Report to the Executive at least four times a year on the activities of the treasury management operation and on the exercise of the delegated treasury management powers, including any breaches of the Treasury Management Policy</p> <p>Approve the procedures necessary to safeguard the authority against potential losses where payments are to be transmitted electronically.</p>
Nominated Chief Officer with responsibility for Exchequer functions	Deputy Chief Executive Officer	Andrew Wannell	12, 16, 17, 19	<p><u>Various in relation to:</u></p> <p>Treasury Management</p> <p>Ordering and Paying for Goods and Services</p> <p>Petty Cash</p> <p>Income Collection</p> <p>Maintain list of Authorised signatories for signing agreements</p>
Nominated Chief Officer with responsibility for Procurement	Director of Support Services	Sarah Robinson	13	Can endorse method of disposal.
Nominated Chief Officer with responsibility for Counter fraud	Deputy Chief Executive Officer	Andrew Wannell	10.4	Maintaining the Anti-Fraud and Corruption Policy

Roles	Current Post Fulfilling the Role	Officer Name	Regulations with this Role	Specific Requirements of Role
Nominated Chief Officer with responsibility for Estates	Director of Planning and Regeneration	Richard Jolley	13	Carry out an on-going review of the Council's land and buildings portfolio, to ensure it continues to meet the corporate objectives Maintain a record of all land and buildings owned, mortgaged or leased by the Council  Ensuring that the Council's arrangements for managing land and buildings owned, mortgaged or leased by the Council, are formally documented  Disposal of Land buildings in conjunction with Disposal Strategy. Endorse method of disposal (land and Buildings)
Nominated Chief Officer with responsibility for Housing	Deputy Chief Executive Officer	Andrew Wannell	19.4	Approval of rent free weeks.
Nominated Chief officer with responsibility for Enforcement	Director of Leisure and Community	Lindsey Ansell	19.4	Approve waiving of penalty charge notices
<b>OTHER OFFICER ROLES</b>				
Nominated General Finance Manager	Head of Finance and Audit	Elaine Hammell	2, 4, 19	Perform the Section 114 duties if the Statutory Chief Finance Officer is unable to perform these duties.  Approve higher limits to be given to individual procurement car holders  Write off debts where the amount for any one debtor is less than £5,000.
Nominated Operational Finance Manager	Finance Manager	Neil Wood	2, 8.4, 16.4	Perform the Section 114 duties if the Statutory Chief Finance Officer is unable to perform these duties.  Authorise virements on 'non-controllable' budgets

<b>Roles</b>	<b>Current Post Fulfilling the Role</b>	<b>Officer Name</b>	<b>Regulations with this Role</b>	<b>Specific Requirements of Role</b>
				Approve payments made on Proforma invoices or Statements of Account
Nominated Strategic Finance Manager	Finance Manager	Caroline Hancock	2, 10.3	Perform the Section 114 duties if the Statutory Chief Finance Officer is unable to perform these duties. Receive notification of insurance claims
Nominated Audit Manager	Head of Finance and Audit	Elaine Hammell	10.4, 11, 13, 17	Receive notification of suspicion of financial irregularity (with other managers and Statutory Chief Finance Officer) Maintain an Investigation Policy and supporting procedures. Maintain effective liaison between internal and external audit Convey internal audit powers to external audit contractors (also applies to Statutory Chief Finance Officer) Receive reports of any break-in, theft or attempt at such, and any loss otherwise suffered; with SCFO. Receive reports of any missing equipment or significant shortfalls in stock; with SCFO. Receive reports of any float discrepancies over £25
Nominated Benefits Manager	Head of Housing, and Benefits	Caroline Newman	12.1	Authorise Housing Benefit cheques for encashment
Nominated Head of Service with responsibility for Enforcement	Head of Environmental Health	Ian Rickman	19.4	Approve waiving of penalty charge notices
Nominated Head of Service with responsibility for Housing	Head of Housing, and Benefits	Caroline Newman	19.4	Approval of rent free weeks.

Roles	Current Post Fulfilling the Role	Officer Name	Regulations with this Role	Specific Requirements of Role
Nominated Estates Manager	Head of Property	Grant Hobday	13.5	Undertake valuations of land and buildings (along with any other suitably qualified person) when land and buildings are to be disposed of.
Nominated Head of Service for ICT	Director of Support Services	Sarah Robinson	13.3.2	Maintain appropriate records of the IT equipment held by the Council
<b>AUTHORISATION ROLES</b>				
Employee Expenses Super Users	Finance Manager Finance Manager Head of Finance and Audit <i>If above not available:</i> Deputy Chief Executive Officer Director of Support Services	Neil Wood Caroline Hancock Elaine Hammell  Andrew Wannell  Sarah Robinson	4	Authorise any employee expenses claim where the employee's manager is not available.
Finance Team Authorisers	Deputy Chief Executive Officer Finance Manager Finance Manager Head of Finance and Audit	Andrew Wannell Neil Wood Caroline Hancock Elaine Hammell	4	Manual signatures on financial instruments (e.g. CHAPS, BACS, Cheques) Life Assurance Claims Precepts to other precepting authorities Routine transfers to Government Departments (e.g. Inland Revenue. NNDR)

Roles	Current Post Fulfilling the Role	Officer Name	Regulations with this Role	Specific Requirements of Role
	Finance Business Partner (Treasury Management)	Linda Jacobs		Pension payments Authorisation of sundry debtor refunds Tax Adjustments Inter account bank transactions





# FAREHAM

## BOROUGH COUNCIL

### **Report to Audit and Governance Committee**

**Date:** 23 September 2019

**Report of:** Deputy Chief Executive Officer

**Subject:** REVIEW OF THE FUNCTIONS OF THE AUDIT AND GOVERNANCE COMMITTEE

#### **SUMMARY**

This report presents the conclusion of the review of the functions of the Audit and Governance Committee. This review is completed every three years to confirm that the Council's arrangements still meet the requirements of legislation and guidance. It concludes that some changes are needed to the constitution in respect of the functions of the Audit and Governance Committee.

#### **RECOMMENDATION**

That this Committee proposes to Council approval of the changes to the constitution in respect of the functions of the Audit and Governance Committee as highlighted in Appendix A.

## INTRODUCTION

1. The Audit Committee was established in 2005 when it was considered good practice to have a committee and was part of the Use of Resources assessment for local Councils. Unlike in Wales and for the Police, there is still currently no legislative requirement for a local authority to have an Audit Committee in England. However, our professional body (the Chartered Institute of Public Finance and Accountancy) consider an audit committee to be a key component of an organisation's corporate governance arrangements and we would struggle to fulfil the legislative requirements in relation to the Annual Governance Statement without one.
2. The functions expected of the Committee are therefore reviewed on a three-yearly basis to confirm they are still in line with the latest requirements. The last review was carried out in 2016, when there were some amendments made to the wording in the constitution on the functions that the Committee should carry out, to reflect the latest guidance (2013/2016), available at that time

## LATEST GUIDANCE ISSUED

3. Since the last review there has been 1 piece of updated guidance issued and this has been used for this review. This was:
  - Audit Committees – Practical Guidance for Local Authorities and Police – Chartered Institute of Public Finance and Accountancy (CIPFA) (2018)
4. A full audit for how well the council complies with this guidance was carried out as part of the 2018/19 audit plan. Following on from this work, this report seeks to adopt the updated list of functions suggested in the guidance, where it is appropriate to do so for the Council.

## PROPOSED CHANGES

5. The proposed changes to the functions for the Committee is detailed in [Appendix A](#). The following sections highlight the most significant changes proposed.

### Major Change - Partnerships

6. There is one major change required to the functions expected of the Committee. This is to adopt the following additional function for the committee:

*The Audit and Governance Committee's areas of responsibility for partnerships are to review the governance and assurance arrangements for significant partnerships or collaborations.*
7. Work is programmed later in the year to identify how this new responsibility can best be fulfilled.

### Splitting Core and Wider Functions

8. The guidance makes a distinction between the Core Functions of an Audit Committee and other functions which the Committee acting as an independent assurance body for those charged with governance (i.e. the Full Council) may be required to undertake as part of an organisation's constitution.

9. It is therefore proposed to make a distinguish between these in the terms of reference, by splitting them out into different sections. The wider functions included in the FBC constitution fall under the headings of:
- a) Standards and ethics
  - b) Treasury management
  - c) Key policy review
  - d) Considering other matters
10. There is also the following function included in the terms of reference for the Audit and Governance Committee which is not mentioned in the guidance but is still considered to be appropriate to the Committee's Counter Fraud responsibilities:
- To review the policies and measures in place to prevent fraud and corruption.*

### **Internal and External Audit Responsibilities**

11. The responsibilities in respect to audit have been expanded to include:
- a) *reviewing proposals made in relation to the appointment of external providers of **internal audit**;*
  - b) *considering any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit;*
  - c) *considering reports on the results of the Quality Assurance and Improvement Plan (QAIP);*
  - d) *providing free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee;*
  - e) *supporting the independence of **external audit** through consideration of the **external auditor's** annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).*
12. The work programme for the committee already includes items which will cover these responsibilities.

### **Changes NOT Proposed for Inclusion**

13. The following functions included in the guidance's standard list have not been recommended for adoption as these would represent additional work for the Committee, potentially at an additional cost, and are considered to be discretionary activities in relation to the main purposes of the committee:
- a) *The Committee should contribute to the Quality Assurance and Improvement Plan and in particular, to the external quality assessment of internal audit that takes place at least once every five years. (The Committee does get a summary of the findings from the annual Quality Assurance and Improvement Plan update as part of the Head of Audits Annual Opinion. The Council does not intend to carry out the external quality assessment against the standards as recommended in the standards. However, we will be giving further consideration on how we can expand external assurances on the reliance that can be placed on the work of the internal audit team).*
  - b) *The Committee can commission work from internal and external audit and should consider specific reports as agreed with the external auditor, and summaries of specific internal audit reports as requested. (The Committee already has the opportunity to make recommendations on the audit assignments included in the risk-based audit plan, or*

request further information relating to issues arising from audit assignments. Additional work requests from internal or external audit are likely to have financial implications).

## **RISK ASSESSMENT**

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

### **Appendices:**

Appendix A - Part 2 Chapter 8 of the Constitution - Functions of the Audit and Governance Committee – Proposed changes to Wording

**Background Papers:** None

### **Reference Papers:**

Audit Committees – Practical Guidance for Local Authorities and Police – Chartered Institute of Public Finance and Accountancy (CIPFA) (2018)

Report to the Audit and Governance Committee 19/09/16 – Review of Functions of the Committee

### **Enquiries:**

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

**Part 2 Chapter 8 of the Constitution - Functions of the Audit and Governance Committee**  
**Proposed Changes to wording**

Current Wording	Nature of Change	Proposed New Wording (changes highlighted in bold and orange)
<b>OVERALL PURPOSE</b>		<b>OVERALL PURPOSE</b>
<p>The purpose of the Audit and Governance Committee is to:</p> <ul style="list-style-type: none"> <li>a) Provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.</li> <li>b) To lead on the Council's duties under Chapter 7 of the Localism Act 2011 and to design, implement, monitor, approve and review the standards of ethics and probity of the Council both for councillors and employees; and</li> <li>c) To promote, maintain and strengthen high standards of conduct by members and co-opted members of the Council.</li> </ul>	<p><i>Wording changed to a) to expand the overall purpose.</i></p> <p><i>Purposes b) and c) moved to the wider functions section</i></p>	<p><b>The Audit and Governance committee is a key component of Fareham Borough Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.</b></p> <p>The purpose of our audit committee is to:</p> <p><b>Provide independent assurance to those charged with governance (the Full Council) of the adequacy of the risk management framework and the internal control environment.</b></p> <p><b>Provide independent review of Fareham Borough Council's governance, risk management and control frameworks and oversee the financial reporting and annual governance processes.</b></p> <p><b>Oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.</b></p>
<b>General</b>		
<p>The general functions and areas of responsibility of the Audit and Governance Committee are:</p> <ul style="list-style-type: none"> <li>a) To review any issue referred to it by the Chief</li> </ul>	<p><i>Section now deleted.</i></p> <p><i>Function a) moved to the wider functions section – considering</i></p>	

Current Wording	Nature of Change	Proposed New Wording (changes highlighted in bold and orange)
<p>Executive or a director or any council body.</p> <p>b) To monitor progress in addressing risk-related issues reported to the committee.</p> <p>c) To lead on the Council's duties under Chapter 7 of the Localism Act 2011 and oversee, maintain and strengthen high standards of conduct in public office.</p>	<p><i>other matters.</i></p> <p><i>Function b) moved to Risk Management and Internal Control</i></p> <p><i>Function c) deleted in favour of wording in Standards and Ethics section</i></p>	
	New section added	<b>ACCOUNTABILITY</b>
	New section	<p><b>The Audit and Governance Committee should report to those charged with governance (the Full Council) on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.</b></p> <p><b>The Audit and Governance Committee should publish an annual report on the work of the committee including details of coverage against the purposes of the Committee.</b></p>
<b>GOVERNANCE, RISK AND CONTROL</b>		<b>GOVERNANCE, RISK AND CONTROL</b>
Corporate Governance		Corporate Governance
<p>The Audit and Governance Committee's areas of responsibility for Corporate Governance are:-</p> <p>a) To review the Council's arrangements for</p>	<p><i>Function a) expanded to include the Local Code of Corporate Governance</i></p> <p><i>Functions c) and d) moved to wider functions section –Key Policy</i></p>	<p>The Audit and Governance Committee's areas of responsibility for Corporate Governance are:-</p> <p><b>a) To review the Council's arrangements for corporate governance, <b>against the good governance</b></b></p>

Current Wording	Nature of Change	Proposed New Wording (changes highlighted in bold and orange)
<p>corporate governance and consider annual governance reports and assurances.</p> <p>b) To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.</p> <p>c) To review and make recommendations to Council on its Financial Regulations and Contract Procurement Rules.</p> <p>d) To review and make recommendations to Council on the Constitution's Standing Orders with Respect to Meetings</p>	<i>review</i>	<p><b>framework, including the ethical framework, and consider the local code of governance.</b></p> <p>b) To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.</p>
<b>Annual Governance Statement</b>		<b>Annual Governance Statement</b>
To review the Council's Annual Governance Statement, prior to approval, and consider whether it properly reflects the risk environment and supporting assurances.	<i>Function expanded</i>	To review the Council's Annual Governance Statement, prior to approval, and consider whether it properly reflects the risk environment and supporting assurances, <b>taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.</b>
<b>Risk Management and Internal Control</b>		<b>Risk Management and Internal Control</b>
<p>The Audit and Governance Committee's areas of responsibility for Risk Management and Internal Control are:</p> <p>a) To monitor the effective development and operation of risk management in the Council.</p> <p>b) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed</p>	<i>Wording amended from previous 'corporate governance' section b)</i>	<p>The Audit and Governance Committee's areas of responsibility for Risk Management and Internal Control are:</p> <p>a) To monitor the effective development and operation of risk management in the Council.</p> <p>b) To monitor progress in addressing risk-related issues reported to committee.</p>

Current Wording	Nature of Change	Proposed New Wording (changes highlighted in bold and orange)
actions.		c) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
Value for Money		Value for Money
To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.	<i>No change</i>	To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
Counter Fraud		Counter Fraud
<p>The Audit and Governance Committee's areas of responsibility for counter fraud are:-</p> <p>a) To review the policies and measures in place to prevent fraud and corruption.</p> <p>b) to review the assessment of fraud risks and potential harm to the council from fraud and corruption.</p> <p>c) to monitor the counter-fraud strategy, actions and resources.</p>	<p><i>No change</i></p> <p><i>Function a) is an FBC addition to the standard terms of reference.</i></p>	<p>The Audit and Governance Committee's areas of responsibility for counter fraud are:-</p> <p>a) <b>To review the policies and measures in place to prevent fraud and corruption.</b></p> <p>b) To review the assessment of fraud risks and potential harm to the council from fraud and corruption.</p> <p>c) To monitor the counter-fraud strategy, actions and resources.</p>
	<i>New section</i>	<b>Partnerships</b>
	<i>New section</i>	<b>The Audit and Governance Committee's areas of responsibility for partnerships are to review the governance and assurance arrangements for significant partnerships or collaborations.</b>
AUDIT		AUDIT



Current Wording	Nature of Change	Proposed New Wording (changes highlighted in bold and orange)
Internal Audit		Internal Audit
<p>The Audit and Governance Committee's areas of responsibility for Internal Audit are:-</p> <ol style="list-style-type: none"> <li>a) To approve the internal audit charter.</li> <li>b) To approve the internal audit plan, including internal audit's resource requirements, the use of external suppliers of audit services, and the approach to using other sources of assurance.</li> <li>c) To approve significant interim changes to internal audit plan and resource requirements.</li> <li>d) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.</li> <li>e) To review updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.</li> <li>f) To consider the head of internal audit's annual report and opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion.</li> <li>g) To consider reports from the head of internal audit on internal audit's performance, including conformance to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.</li> </ol>	<p><i>Wording expanded</i></p> <p><i>Expanded wording not proposed for adoption:</i></p> <p><i>To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.</i></p> <p><i>To consider summaries of specific internal audit reports as requested.</i></p>	<p>The Audit and Governance Committee's areas of responsibility for Internal Audit are:-</p> <ol style="list-style-type: none"> <li>a) To approve the internal audit charter.</li> <li><b>b) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.</b></li> <li><b>c) To approve the risk-based internal audit plan, including internal audit's resource requirements, <del>the use of external suppliers of audit services, and the approach to using other sources of assurance</del> and any work required to place reliance upon those other sources.</b></li> <li>d) To approve significant interim changes to internal audit plan and resource requirements.</li> <li>e) To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.</li> <li><b>f) To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.</b></li> <li><b>g) To consider reports from the head of internal audit on internal audit's performance, including the performance of external providers of internal audit services. These will include:</b> <ul style="list-style-type: none"> <li>• updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.</li> <li>• <b>Reports on the results of the Quality Assurance</b></li> </ul> </li> </ol>

Current Wording	Nature of Change	Proposed New Wording (changes highlighted in bold and orange) and Improvement Plan (QAIP)
		<ul style="list-style-type: none"> <li>• conformance to the Public Sector Internal Audit Standards and <del>Local Government Application Note</del>, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement, <b>and whether this affects the reliability of the conclusions of internal audit.</b></li> <li>h) To consider the head of internal audit's annual report and opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion.</li> <li>i) <b>To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.</b></li> <li>j) <b>To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.</b></li> </ul>
External Audit		External Audit
<p>The Audit and Governance Committee's areas of responsibility for External Audit are:-</p> <p>a) To comment on the scope and depth of external audit work and to ensure it gives value for money.</p> <p>b) To consider the external auditor's annual letter, relevant reports, and the report to those charged</p>	<p><i>Wording expanded</i></p> <p><i>Expanded wording not proposed for adoption:</i></p> <p><i>To commission work from internal and external audit</i></p> <p><i>To consider specific reports as agreed</i></p>	<p>The Audit and Governance Committee's areas of responsibility for External Audit are:-</p> <p>a) <b>To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).</b></p>

Current Wording	Nature of Change	Proposed New Wording (changes highlighted in bold and orange)
<p>with governance.</p> <p>c) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies</p>	<p><i>with the external auditor.</i></p>	<p>b) To comment on the scope and depth of external audit work and to ensure it gives value for money.</p> <p>c) To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance <b>(the Full Council)</b>.</p> <p>d) To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies</p>
<p><b>FINANCIAL REPORTING</b></p>		<p><b>FINANCIAL REPORTING</b></p>
<p>The Audit and Governance Committee's areas of responsibility for the Council's Financial Reporting are:</p> <p>a) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.</p> <p>b) To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.</p>	<p><i>No change</i></p>	<p>The Audit and Governance Committee's areas of responsibility for the Council's Financial Reporting are:</p> <p>a) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.</p> <p>b) To consider the external auditor's report to those charged with governance <b>(the Full Council)</b> on issues arising from the audit of the accounts.</p>
	<p><i>New section amalgamating functions given to the committee on top of the pure audit committee functions</i></p>	<p><b>WIDER FUNCTIONS OF THE AUDIT AND GOVERNANCE COMMITTEE</b></p>
		<p><b>The Audit and Governance Committee is responsible for carrying out wider functions for the Council in relation to:</b></p>

Current Wording	Nature of Change	Proposed New Wording (changes highlighted in bold and orange)
		<p>a) <b>Standards and ethics</b>  b) <b>Treasury management</b>  c) <b>Key policy review</b>  d) <b>Considering other matters</b></p>
STANDARDS	<i>Change of title</i>	<b>Standards and Ethics</b>
<p>The Audit and Governance Committee's areas of responsibility for Standards are:-</p> <p>a) Advise on an internal framework of probity and standards of conduct that should be followed by members and officers.</p> <p>b) Formulate, monitor and revise, as necessary, Local Codes of Conduct for members and officers.</p> <p>c) Formulate, monitor and revise, as necessary, a protocol for member/officer relationships.</p> <p>d) Issue guidance and best practice advice with regard to probity and ethics including the following:</p> <ul style="list-style-type: none"> <li>• the declaration and registration of members'</li> </ul>	<p><i>Wording in purpose parts b) and c) moved to this section</i></p>	<p><b>The Audit and Governance Committee's purpose is also to:</b></p> <p>a) To lead on the Council's duties under Chapter 7 of the Localism Act 2011 and to design, implement, monitor, approve and review the standards of ethics and probity of the Council both for councillors and employees; and</p> <p>b) To promote, maintain and strengthen high standards of conduct by members and co-opted members of the Council.</p> <p>The Audit and Governance Committee's areas of responsibility for Standards and Ethics are:-</p> <p>a) Advise on an internal framework of probity and standards of conduct that should be followed by members and officers.</p> <p>b) Formulate, monitor and revise, as necessary, Local Codes of Conduct for members and officers.</p> <p>c) Formulate, monitor and revise, as necessary, a protocol for member/officer relationships.</p> <p>d) Issue guidance and best practice advice with regard to probity and ethics including the following:</p> <ul style="list-style-type: none"> <li>• the declaration and registration of members'</li> </ul>

Current Wording	Nature of Change	Proposed New Wording (changes highlighted in bold and orange)
<p>interests</p> <ul style="list-style-type: none"> <li>• claims for members' allowances and expenses</li> <li>• acceptance of, or dealing with, offers of hospitality and gifts made by third parties</li> <li>• the provision to members of hospitality, goods, services and facilities by the Council</li> <li>• the undertaking of travel and foreign visits.</li> </ul> <p>e) Advise on such other matters of a similar kind that may be referred to the Committee.</p> <p>f) Issue advice and guidance to members representing the Council on outside bodies.</p> <p>g) Receive, consider and, where necessary, act on reports guidance and advice from the Council's Monitoring Officer and the Local Government Ombudsman.</p> <p>h) Provide appropriate training for members and officers with regard to any of the above and the ethical governance of the Council generally.</p> <p>i) Appoint such sub-committees, panels or working parties as are deemed appropriate to undertake specific parts of these Terms of Reference.</p> <p>j) Consider complaints against members' conduct and assess allegations of breaches of the Code of Conduct for Members to determine such complaints.</p> <p>k) Monitor and review members' training and development.</p> <p>l) To establish a Standards Sub-Committee to investigate and determine appropriate actions in respect of alleged breaches of the Members' Code</p>		<p>interests</p> <ul style="list-style-type: none"> <li>• claims for members' allowances and expenses</li> <li>• acceptance of, or dealing with, offers of hospitality and gifts made by third parties</li> <li>• the provision to members of hospitality, goods, services and facilities by the Council</li> <li>• the undertaking of travel and foreign visits.</li> </ul> <p>e) Advise on such other matters of a similar kind that may be referred to the Committee.</p> <p>f) Issue advice and guidance to members representing the Council on outside bodies.</p> <p>g) Receive, consider and, where necessary, act on reports, guidance and advice from the Council's Monitoring Officer and the Local Government Ombudsman.</p> <p>h) Provide appropriate training for members and officers with regard to any of the above and the ethical governance of the Council generally.</p> <p>i) Appoint such sub-committees, panels or working parties as are deemed appropriate to undertake specific parts of these Terms of Reference.</p> <p>j) Consider complaints against members' conduct and assess allegations of breaches of the Code of Conduct for Members to determine such complaints.</p> <p>k) Monitor and review members' training and development.</p> <p>l) To establish a Standards Sub-Committee to investigate and determine appropriate actions in respect of alleged breaches of the Members' Code of Conduct.</p>

Current Wording	Nature of Change	Proposed New Wording (changes highlighted in bold and orange)
of Conduct.		
Treasury Management	<i>Moved from Governance, Risk and Control section</i>	Treasury Management
The Audit and Governance Committee's area of responsibility for Treasury Management is to oversee the implementation of the Council's Treasury Management Strategy and Policy	<i>Wording expanded</i>	<b>The Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny</b> of the implementation of the Council's Treasury Management Strategy and Policy.
	<i>New section</i>	<b>Key Policy Review</b>
	<i>Wording amended from previous 'corporate governance' section c) and d)</i>	The Audit and Governance Committee is responsible for reviewing and making recommendations to Council on its <b>Constitution including</b> Financial Regulations and Procurement and Contract Rules.  <b>In carrying out this work the committee should advocate the principles of good governance and help ensure that there are appropriate governance, risk, control and assurance arrangements in place.</b>
	<i>New section</i>	<b>Considering Other Matters Referred to the Committee</b>
	<i>Wording amended from previous 'general' section a)</i>	<b>Occasionally the Audit and Governance Committee may be requested</b> to review an issue referred to it by <b>another committee or a statutory officer.</b>

# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 September 2019

**Report of:** Deputy Chief Executive Officer

**Subject:** RISK MANAGEMENT MONITORING

#### 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 latest six-monthly report under the new policy.

*The Audit and Governance Committee's area of responsibility for Risk Management includes:*

- a) to monitor the effective development and operation of risk management in the Council.*

#### 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 (See Appendix E) 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:
  - (a) What their top risks are and any new or changes in risks and opportunities that have occurred in the year
  - (b) Actions that have been taken in the year to mitigate risks
  - (c) Incidents that have occurred and actions taken to manage the incident and prevent a repeat
  - (d) 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 June and July 2019.

## 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 this report.

Managers Interviewed for THIS report	Managers Interviewed for the last report
Head of Development Management (LS)	Head of Planning Strategy & Regeneration (CB)
Head of Building Control (JS)	Head of Environmental Health (IR)
Head of Building Repairs and Maintenance (KW)	Head of Street Scene (MB)
Head of Housing and Benefits (CN)	Head of Leisure and Corporate Services (LA)
Head of Finance and Audit (EH)	Head of Democratic Services (LU)
Welborne Strategic Lead (SW)	Head of Coastal Partnership (LC & JR)
Affordable Housing Strategic Lead (RL) - <b>NEW</b>	Head of Property Services (GH)
Managers from Human Resources and ICT	Welborne Strategic Lead (SW)

## STRUCTURE OF THE EVIDENCE GATHERED

4. 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:
  - (a) Appendix A - Risks where action is *still needed*
  - (b) Appendix B - New actions taken *reacting* to risks or incidents
  - (c) Appendix C - New actions taken *anticipating* risks or opportunities



5. We also followed up on most of the risks highlighted last time where “action is still needed”. These are highlighted by “(Update)”.

## **APPENDICES**

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

Appendix B: Risks noted where further actions are still needed

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

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

Appendix E: FBC Risk Management Policy (Separate Document)

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

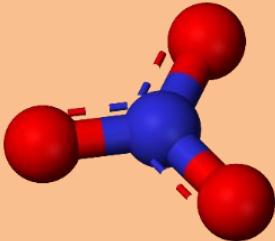
Service Manager (s)	Subjects discussed
Development Management	<p><u>Featured</u></p> <p>Microfiche Project to remedy the risk that we could potentially lose access to 50 years of Planning Applications</p> <p>Developer withholding (CIL) obligations</p> <p>Unable to grant Planning Permission on new build applications due to NITRATE levels.</p> <p>Approach to Trees Management (Update)</p> <p>Welborne Planning Application (Update) - Highways and Traffic Impact solutions still to be sought</p> <p><u>Others Discussed</u></p> <p>New module on Ocella for s106 agreements being implemented.</p> <p>BPMS developments to give time savings - how long it takes to save things and link in documents. - work to do.</p> <p>Effect of prolonged drought on tree risk assessments</p> <p>Recruitment work - looking at bringing some of the appeal work in-house to reduce appeal costs. Principle planner to bring in extra capacity for the number of applications that dealing with. Internal recruitment successful and will recruit into the vacancy</p> <p>Progress being made on meeting 5-year planning supply targets. Planning committee is granting permission to help achieve. However, still problems with getting the developments built and need to work with developers to unlock the problems causing sites to stall.</p>
Building Control	<p><u>Featured</u></p> <p>Vanguard Intervention into the Building Control Service (OPPORTUNITY)</p> <p>Impact of Insurance Provider Changes on Building Control Partnership</p> <p>Hackitt Review into Building Control (Update)</p> <p><u>Others Discussed</u></p> <p>Difficulties in retaining skilled surveyors</p> <p>Reputational impact and additional work arising from Grenfell Tower disaster</p> <p>Future model of operation for building control e.g. Local Authority Trading Company – project on-hold awaiting Hackitt Review</p> <p>Reduced Fee income if there is a forecast downturn in the market – Currently partnership has seen increase in work load</p> <p>Impact of Brexit if there is a downturn in the economy which could result in a reduced workload</p> <p>Maintaining customer satisfaction so retain market share. Continued monitoring application first response times and currently up from 76% to 78%.</p> <p>Temporary demountable structures. A risk for events like D-day, festivals etc</p> <p>Safety Advisory Groups</p>
Building Repairs and Maintenance	<p><u>Featured</u></p> <p>Ensuring Value for Money from Housing Contractors</p> <p>Strengthening Civil Contingency arrangements</p> <p>Health and Safety of Tradesmen</p> <p>Excess Charging by Contractors (Update)</p>

Service Manager (s)	Subjects discussed
	<p><a href="#">Use of Out of Date Scaffold</a></p> <p><a href="#">Maintaining Adequate Staff Numbers for the Out of Hours Service (Update)</a></p> <p><u>Others Discussed</u></p> <p>A dedicated admin team member has been allocated to the management of the gas servicing contract. Key Performance Indicators are being kept at 98%.</p> <p>A review of the vehicles being used by Building Repairs service identified the need to replace a number of vehicles so that the service can remain robust and reduce the reliance on contractors.</p> <p>On-going risk to manage concerning ability to recruit and retain the skilled staff needed in a competitive market.</p> <p>The administration team are conducting spot checks on out of hours claims contractors to ensure that they are made in line with terms and conditions.</p> <p>Funding the of the CCTV upgrade at the depot.</p>
Housing and Benefits	<p><u>Featured</u></p> <p><a href="#">Responding to the Homelessness Reduction Act (Update)</a></p> <p><a href="#">Increased Risk of Subsidy Penalties due to roll out of Universal Credit</a></p> <p><a href="#">New Housing System including reduced Rent Arrears (Opportunity)</a></p> <p><a href="#">Unreasonable Complaint Behaviour</a></p> <p><u>Others Discussed</u></p> <p>Small chimney fire in council property</p> <p>Protecting the future Homeless Shelter provision</p> <p>Work force planning as the number of Universal Credit cases increases, but residual elderly and complex cases still need resourcing</p> <p>Change in DWP policy to return to joint prosecutions for fraud.</p> <p>Implementation of the tenancy services restructure and reduced risk of knowledge loss.</p> <p>Use of a temporary officer working purely to reduce rent arrears.</p> <p>Proactive counter Fraud campaigns – tenancy audits and mortgage data match</p>
Finance and Audit	<p><u>Featured</u></p> <p><a href="#">Making Tax Digital – VAT</a></p> <p><a href="#">New Finance System (Opportunity)</a></p> <p><a href="#">VAT Implications for Fuel at Daedalus</a></p> <p><a href="#">Resourcing the Internal Audit Plan</a></p> <p><a href="#">Finance Strategy Funding Gap (Update)</a></p> <p><u>Others Discussed</u></p> <p>Changes to the Construction Industry Service (CIS) – Domestic Reverse Charge (DRC) for building services and VAT invoices</p> <p>Monitoring 2018 Drought impact on insurance claims</p> <p>Insurance Tender and potential Local Government association mutual</p> <p>GDPR</p> <p>Leaseholder and Property Services Service Charges</p>


Service Manager (s)	Subjects discussed
	<p>Ensuring consistent and timely debt collection</p> <p>Actions taken to identify and mitigate fraud Risks</p> <p>Changes to Treasury Management Policy and use of new types of fund</p> <p>Meeting requirement for a Capital Strategy</p> <p>External printing of annual council tax bills, reducing paper documentation in exchequer</p> <p>Resilience of the MOTO telephone payment system</p>
Human Resources	<p><u>Featured</u></p> <p>Managing the Change Implications of Staff Restructures</p> <p>Improving the effectiveness of Sickness Absence Management</p> <p>Senior Management Development (Opportunity)</p> <p>Skills Shortage</p> <p><u>Others Discussed</u></p> <p>Apprenticeship Levy - same approach, all new roles assessed to see if meet the Apprenticeship rules.</p> <p>Embedding the Fareham Housing restructure</p> <p>Embedding the use of vehicles policy</p> <p>Mobile Phones Usage Policies</p> <p>MY HR- Going paperless, payslips will be different, and the use of this module offers more opportunities for a more streamlined management system.</p> <p>New platform to record gifts and hospitality</p> <p>Strengthening 'Whistleblowing' by changing the terminology to Report A Concern. The new policy is approved, but operationally this hasn't progressed.</p> <p>Senior Management Restructure</p> <p>Garden Waste - Occupational Health have raised the issue of lifting the bags.</p> <p>Front Facing Staff - e.g. Inappropriate behaviour in some settings that are non-office based. Ensuring that those staff who may be isolated from FBC core values are regularly monitored.</p>
ICT	<p><u>Featured</u></p> <p>Mobile Phone Replacement</p> <p>Failure of Print Room Equipment (Update)</p> <p>Cyber Security (Update)</p> <p><u>Others Discussed</u></p> <p>Telephony Upgrade</p> <p>ICT Monthly bulletins</p> <p>New security policies written</p> <p>Solent Airport ICT support</p> <p>Annual PSN assessment</p> <p>Disaster recovery testing</p> <p>Penetration testing</p> <p>Annual Cyber Testing</p> <p>ICT Expo</p> <p>Resourcing new system implementations</p>

Service Manager (s)	Subjects discussed
Affordable Housing Strategic Lead	<p><u>Featured</u></p> <p>Delivering Housing Development Sites</p> <p>New Housing System (Opportunity)</p> <p>Housing Strategy (Update)</p> <p><u>Others Discussed</u></p> <p>Resources in Property Services and Housing Strategy</p>
Welborne Strategic Lead	<p><u>Featured</u></p> <p>Determining the Welborne Planning Application</p> <p>Managing the Implications of the Welborne Planning Application including:</p> <ul style="list-style-type: none"> <li>• Delivery of the Infrastructure whilst maintaining Viability of the Scheme</li> <li>• Delivering Affordable Housing</li> <li>• Stewardship and Maintenance Obligations</li> <li>• Delivering Junction 10 of the M27</li> <li>• Delivery of placemaking requirements</li> <li>• Medium and Long-term impact on Service Provision of the new development</li> </ul> <p><u>Others Discussed</u></p> <p>Council achieving appropriate consideration for the cottages purchased in advance of the development.</p> <p>Negotiations with the NHS Clinical Commissioning Group</p> <p>Healthy new towns bid</p> <p>reputation impact of early development of site near to Welborne which is outside for the borough boundary and not subject to the FBC planning policy and design codes.</p> <p>Network rail strategic review of the Solent network and potential cost of building the station at the railway halt.</p> <p>Issues over Community use of school sports pitches</p>

## Appendix B - Risks noted where further actions are still needed

Risk or Opportunity	Actions being taken
<p><b>Risk to 5-Year Housing Supply Targets due to NITRATE levels.</b></p> <p>Natural England, the statutory consultee with responsibility for the natural environment, have advised the Council and other Councils with a Solent coastline, that development in the Borough must be nitrogen neutral in order to mitigate a likely significant effect on internationally important protected sites in the Solent. The Council should only depart from the advice of Natural England for good and justified reasons.</p> <p><b>Therefore, no planning permission has been granted since March 2019 on new residential and overnight accommodation. This is affecting the ability to meet obligations in terms of housing need.</b></p>  <p>High levels of dissolved inorganic nitrogen (made up of nitrates, nitrites and ammonium) are affecting the Solent coastline and the feeding sites of over wintering birds. Nitrate rich water breeds algae and cuts off the natural vegetation these birds need to feed on. There are also plants, habitats and other animals within the Solent which are of both national and international importance. Some of these are protected by UK/European Law.</p> <p>One of the causes of a deterioration in water quality is new developments creating additional wastewater which is treated at Wastewater Treatment Works and discharged into the Solent. The percentage of nitrate coming from this source varies depending on the location in the Solent but is small (3-18%) in comparison to run-off from agriculture (20-77%) and background levels already in the waterbody (12-67%).</p>	<p><b>Corporate</b> - Joint working with the Partnership for South Hampshire (PfSH) authorities to liaise with the Environment Agency, Natural England and Southern Water, the Ministry for Housing, Communities and Local Government (MHCLG) and the Department for the Environment, Food and Rural Affairs (DEFRA) in finding a solution.</p> <p><b>PfSH</b> - Commissioned an Integrated Water Management Study (IWMS) looking into the effects of planned future development on water quality and water resources.</p> <p><b>Development Management</b> - Have commissioned work across the Borough, to assess whether the effects of emissions from increased traffic along roads within 200 metres of European Protected Sites will have a likely significant effect upon them. This work is expected to be completed by late summer 2019.</p> <p><b>Development Management</b> – A number of potential measures have been identified to deliver nitrate neutrality in the Borough:</p> <ol style="list-style-type: none"> <li>Management of existing agricultural land</li> <li>Wetland creation</li> <li>Water efficiency measures in existing FBC housing stock</li> <li>Improvements to Peel Common wastewater treatment works</li> <li>Additional mitigation land secured through the Regional Habitat Creation Scheme</li> <li>Catchment Sensitive Farming Advisors and advice</li> </ol> <p>Further discussions are required with third parties to advance many of these options. Early work suggests that a combination of measures would be sufficient to provide a solution for housing development going forward. This information would be developed in a <b>Definitive Nitrate Mitigation Solution</b> that would confirm the level of mitigation is sufficient to offset the scale of development, both for a number of current planning applications and the Local Plan.</p>

Risk or Opportunity	Actions being taken
<p><b>Finance Strategy Funding Gap (Update)</b></p> <p>The Council maintains a Medium-Term Finance Strategy (MTFS) which uses sensitivity modelling to forecast financial pressures. The latest modelling has predicted a funding gap in 2020/21. This is mainly the result of the removal of all Revenue Support Grant (RSG) for Fareham, and the changes made to the New Homes Bonus.</p> <p>The next Fair Funding review, which sets new funding baselines is due in 2019/20. However, this is not expected to help bridge the gap and may result in a negative RSG payment to the Government. Changes are also proposed in the level of Business Rates retention but again this is more likely to assist the County Council than District Councils.</p> <p>Due to other Government priorities there has been a delay to the Fair Funding review and it is now believed that there will only be a one-year settlement agreed this year. Until there is an announcement from Central Government we are unsure of the financial implications.</p> <p>The actions the Council was taking to bridge the funding gap were detailed in the September 2018 risk report. Further actions that have been taken since are listed here.</p>	<p><b>Corporate</b> - An Opportunities Plan was pulled together and prioritised from the ideas suggested by Heads of Service, to either reduce expenditure or increase income. This was approved by Executive in January 2019 and £600,000 was allocated during 2019/20 and 2020/21 to deliver the plan in an 'Invest to Save' approach. The plan could deliver potential savings of £1.5m going forward which would be sufficient to bridge the forecast funding gap and cover upcoming pressures not yet built into the modelling.</p> <p><b>Finance</b> – An Opportunities Team has been set up and recruited to, using the allocated funds to work on the projects that would not be possible to complete within current resources. The team consists of a Project Coordinator, Financial Analyst and Researcher and will be in place for a fixed term of 2 years.</p> <p><b>Finance / ICT</b> – Developing and rolling out a finance report suite for managers to provide better budget monitoring information and details of spend with suppliers.</p> <p><b>Finance</b> - Further financial analysis being undertaken to identify the level of funds needed to deliver the corporate priorities.</p> <p><b>Corporate</b> – The Council overspent on its General Fund allocation in 2018/19. A communication strategy is in progress to make areas of overspending visible to spending managers and committees.</p> <div data-bbox="981 1115 1382 1391" data-label="Image"> <p>A graphic titled 'Fair Funding Review Modelling tools' featuring a stack of several gold coins on a light blue background.</p> </div>
<p><b>Approach to Trees Management (Update)</b></p> <p>Since 2014 lots of work, assessments, inspections have happened to record the position and health of our tree stock. Inspections are carried out currently every 3 years, and any remedial works arising are completed. The Council also carries “good neighbour works” to resolve problems trees are causing to residents.</p> <p>However, the amount being spent on Tree works has for some years exceeded the budget allocation, and there is some customer dissatisfaction. Work is therefore needed to define a new policy for tree management, to challenge if the inspector frequency and good neighbour works are value for money.</p>	<p><b>Development Management</b> – Second stage of vanguard intervention is underway to assess what drives the inspections and in turn the would be claims. We need to be able to defend our policy on trees whilst remaining aware of the increasing costs managing the trees and being able to defend the costs associated with inspections, good neighbour pruning and all tree works.</p> <p><b>Development Management</b> – Independent adviser being used to challenge current thinking on the purpose of the service and what matters.</p> <div data-bbox="1187 1760 1517 1966" data-label="Image"> <p>A photograph of a single, large, leafy green tree standing on a grassy hill under a clear blue sky.</p> </div>
<p><b>Determining the Welborne Planning</b></p>	<p><b>Development Management</b> – Twin tracked work on the</p>

Risk or Opportunity	Actions being taken
<p data-bbox="347 206 639 237"><b>Application (Update)</b></p> <p data-bbox="165 255 815 618">The determination of the Welborne Planning application remains a high risk for the Council. The timing of the determination will affect when the Section 106 (S106) agreement can be completed and when the works on site can start. The delivery of homes through Welborne takes pressure off other sites in the borough, so there is an ongoing risk with delays in starting the build that more planning applications for housing elsewhere in the borough will be received which will be difficult to defend.</p> <p data-bbox="165 640 815 936">The majority land owner and master developer for the Welborne Garden Village has submitted 3 sets of further updates to the planning application in December, March and July which have resulted in further statutory consultations, as part of the undergoing determination. We are still, however waiting for the updated formal viability report which will require its own consultation process.</p> <p data-bbox="165 958 815 1191">We are also waiting for responses from the two statutory highways authorities, without which the committee report cannot be published. The consultation covers Junction 10 of the motorway and the general impact of the traffic on the A32. If J10 doesn't receive funding and permission, there will only be 1,100 new homes permitted.</p> <p data-bbox="165 1214 815 1339">The actions the Council has been taking to get the application ready for determination have been detailed in previous risk reports Further actions that have been taken since are listed here.</p>	<p data-bbox="842 206 1501 295">planning conditions and the S106 agreement has been completed as far as it can be until committee resolution is given.</p> <p data-bbox="842 318 1522 407"><b>Development Management</b> – Committee report is being written as issues are resolved so it is ready as soon as the committee is called. The report is of a significant size.</p> <p data-bbox="842 430 1501 555"><b>Development Management</b> – Working with developer, and external advisors, to reach a mutual conclusion on viability and affordable housing issues and set a deadline for the receipt of the viability report.</p> <p data-bbox="842 577 1522 734"><b>Development Management</b> – Refreshed the planned engagement programme for members of the Planning Committee which will now be provided to all members before the planned committee and will consist of a series of briefings on specific topics.</p> <p data-bbox="842 757 1522 846"><b>Democratic Services</b> – The Committee team have been briefed and are ready to call a special meeting of the Planning Committee when the service is ready.</p> <p data-bbox="842 869 1522 1012"><b>Welborne Strategy</b> – Joint working with funders, project sponsors, developer and council on the junction 10 design and traffic modelling. Junction 10 steering group meeting regularly supported by telecons with the local MP and the Department for Transport.</p> <div data-bbox="1007 1070 1350 1294" style="text-align: center;">  </div>



Risk or Opportunity	Actions being taken
<p><b>Managing the Implications of the Welborne Planning Application (Update)</b></p> <p>As highlighted in previous reports, the outcome of the planning application determination will have significant implications for the infrastructure and green space that is included in the Welborne Garden Village and how it is managed. The most significant risks associated with the process, which are interrelated, are:</p> <ul style="list-style-type: none"> <li>• Delivery of the Infrastructure whilst maintaining Viability of the Scheme</li> <li>• Delivering Affordable Housing</li> <li>• Stewardship and Maintenance Obligations</li> <li>• Delivering Junction 10 of the M27</li> <li>• Delivery of placemaking requirements</li> <li>• Medium and Long-term impact on Service Provision of the new development</li> </ul> <p>Further actions being taken to manage these risks are provide</p>  	<p><b>Delivery of the Infrastructure whilst maintaining Viability of the Scheme</b></p> <p><b>Corporate</b> – Negotiations continue between Council representatives, external advisers and senior parties from the Land Owner and Master Developer to make sure the maximum benefits from the development of the site are achieved.</p> <p>The financial assumptions being used have been agreed within acceptable tolerances and the infrastructure delivery has been agreed. Discussions have concluded about the mix of affordable housing that can be delivered. (see below)</p> <p><b>Corporate</b> – Legal advice has been received on the applicability of CIL and this is being reviewed in the context of the viability of the scheme and other infrastructure needs of the borough.</p> <p><b>Delivering Affordable Housing</b></p> <p><b>Welborne Strategy</b> – The commissioned reports have been received which have refreshed the data on what the housing needs of the borough are, compared to what the original policy position was. This covers the required mix of Affordable rent, intermediate housing, Passivhaus housing (with improved energy efficiency) and lifetime homes with improved accessibility)</p> <p><b>Housing Strategy</b> – The Housing Strategic Lead has also reviewed the proposals in line with the conclusions from the Housing Strategy work on what type of affordable housing the borough needs.</p> <p><b>Corporate</b> – Discussions have concluded with developer and land owner about the mix and phasing of the delivery of the different housing types. Also working to agree a review mechanism of delivery across the phases.</p> <p><b>Stewardship and Maintenance Obligations</b></p> <p><b>Corporate</b> – The developer submitted a draft stewardship proposal, based around a Residents Trust governed by a multi-party Management Board. Draft Articles of Association have now also been received which have been reviewed by the legal team who have suggested some adjustments which are currently under negotiation.</p> <p><b>Development Management</b> – Wording of the condition in the s106 agreements being carefully considered to prevent multiple changes to the s106 as the articles change.</p> <p><b>Welborne Strategy</b> – A visit is being organised from the Bournville Trust, to learn the lessons on stewardship from the model they used.</p> <p><b>Legal Services</b> – The legal team are providing advice on the proposals and will advise on how these have been drafted into the Articles of Association for the Trust when submitted by the developer.</p>

## Risk or Opportunity

## Actions being taken

### Managing the Implications of the Welborne Planning Application (con)



### Delivery of placemaking requirements

**Welborne Strategy** – Experienced consultants are assisting with developing a strong working relationship between the Council and the Master Developer to achieve a vision that would meet the needs of both parties. The procurement rule obligations are being reviewed to potentially extend the use of the consultants.

**Welborne Strategy** – A series of workshops are being held between the developer and their architect, the Council and the FBC consultants on the Welborne Masterplan and proposals for the Strategic Design Code. The Code will include the Welborne Street Manual, integrating highways design and adoption issues critical to retaining the character of the Garden Village for the next 20 years.

This work is progressing in parallel to the work on the Outline Planning Application so that the Strategic Design Code can be submitted to the Council for approval as soon as possible after outline planning permission is determined.

**Welborne Strategy** – Working to identify how many sub-design codes need to be developed. A bid for a further £500,000 of funding was submitted to Homes England at the end of July to help fund the work that will be needed to develop these codes.

### Delivering Junction 10 of the M27

**External** - Hampshire County Council have taken on the role of the scheme promoter for junction 10 and are chairing steering groups involving representatives from interested parties including the Department for Transport (DfT) and Highways England.

A group has been set up to resolve key issues hampering the delivery of the Junction 10 scheme. These include scheme design, scheme costs and s funding. This will result in a clearer cost for the agreed scheme which can be used to submit the business case to DfT after planning permission is granted.

**External** – Funding issues with developing the Full Business Case, which is required to draw down DfT and LEP funding have been resolved.



**Welborne Strategy** – The team, plus legal advisers, continue to work with the Ministry of Housing, Communities & Local Government (MHCLG) to secure assistance from the Housing Infrastructure Fund (HIF) to help fund the junction, with workable terms and conditions surrounding the acceptance of this funding.

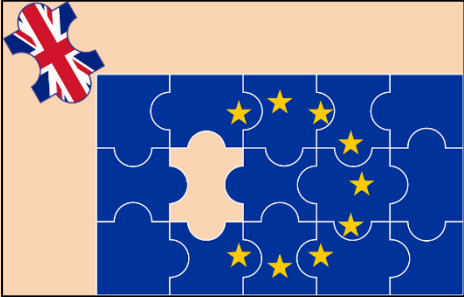
**Welborne Strategy** – Series of options being drawn up should there be the need to bridge any potential residual capital funding gap

**Welborne Strategy** – Legal advice obtained on how the planning determination can proceed whilst junction 10


Risk or Opportunity	Actions being taken
	<p>funding work continues, to avoid future judicial reviews.</p> <p><b>Medium and Long-term impact on Service Provision of the new development</b></p> <p><b>Welborne Strategy / Finance</b> – A series of discussions has been held with services to expand the assessment of the potential impact on FBC services of the following:</p> <ul style="list-style-type: none"> <li>• Increase in population</li> <li>• Increase in households</li> <li>• Increase in affordable housing</li> <li>• Increase in employment space</li> <li>• Increase in infrastructure</li> <li>• Increase in countryside and open space</li> <li>• Increase in the general public realm</li> <li>• Services not provided for in the plan</li> </ul> <p>The findings from the meetings have been used to inform the development of the s106 agreement where appropriate. A summary of the long term financial implications is being developed.</p>
<p style="text-align: center;"><b>Housing Strategy (Update)</b></p> <p>As highlighted in last year’s summary, the current Housing Strategy (2010) and Affordable Housing Strategy (2005) have reached the end of their expected period of application. This, together with many national changes surrounding affordable housing in recent years and the adoption of the Council’s new Corporate Strategy (2017-2023) require the development of a new Housing Strategy for the borough which highlights those gaps in the market which the Council needs to assist with (by ownership and promoting development), and to make sure resources are being targeted on the priority types of property to meet the needs of families in this borough.</p> <p>The actions the Council was taking to address this gap were detailed in the September 2018 risk report. Further actions that have been taken since are listed here.</p> 	<p><b>Fareham Housing Strategy</b>– The draft Affordable Housing Strategy has been produced covering:</p> <ul style="list-style-type: none"> <li>➤ Purpose</li> <li>➤ A great place to live</li> <li>➤ What is Affordable Housing?</li> <li>➤ Who can provide Affordable Housing?</li> <li>➤ Affordable Housing in Fareham</li> <li>➤ Fareham’s affordable need</li> <li>➤ The Waiting List</li> <li>➤ Shared Ownership</li> <li>➤ Local Plan</li> <li>➤ Key Challenges</li> <li>➤ Key Objectives</li> <li>➤ Actions</li> <li>➤ Who/How and Timetable</li> </ul> <p>The draft strategy has been reviewed by members and has been subject to a period of public consultation. Any necessary changes arising from the consultation will be incorporated in the document, before the Strategy is progressed to Council with a recommendation to adopt it.</p> <p><b>Fareham Housing Planned Maintenance</b> – A survey of the condition of existing stock has been completed</p> <p><b>Fareham Housing Strategy</b> – As the Affordable Housing Strategy is a very high-level document, supplementary policies will need to be developed including:</p> <ul style="list-style-type: none"> <li>• Direct Acquisitions Strategy</li> <li>• Sheltered Housing Strategy, both physical and resource structures</li> <li>• Affordable Housing Supplementary Planning Document</li> </ul> <p>Regeneration Strategy - to be informed by detail at property level from the stock condition survey that should provide a potential list of projects for consideration. (Sensitive - This area of work will be particularly sensitive seeking to achieve a net gain in housing numbers for scheme viability. Reputationally this will have many</p>

Risk or Opportunity	Actions being taken
<p style="text-align: center;"><b>Unreasonable Complaint Behaviour</b></p> <p>Over the last couple of years there have been continual incidents of some housing tenants making multiple complaints against multiple departments such that their behaviour would meet the definition of Unreasonable Complaint Behaviour. This has had the result of consuming a great deal of Council resources, taking officers away from their normal duties, and causing considerable stress to the officers dealing with the complaints.</p> <p>The complaints have also made multiple complaints about the anti-social behaviour of their neighbours, which as the landlord the Council has a duty to investigate and to act in the best interest of both parties.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p style="text-align: center;"><b>APPENDIX B</b></p> <p style="text-align: center;"><b>Unreasonable Complaint Behaviour Policy</b></p> <p><b>Introduction</b></p> <p>At Fareham Borough Council, we aim to provide a high quality service at all times.</p> <p>The Council deals with a large number of customer enquiries received via telephone call, letter, email, online form and social media outlets. Most of these are resolved quickly first time, however we recognise that things don't always go to plan and there may be times when we don't live up to customer expectations. Where a customer remains dissatisfied with our response, they can escalate their complaint via the Council's Corporate Complaints procedure.</p> <p>At stage 1 of the complaints process, the Head of Service in the department responsible for the service will investigate the complaint. If the customer is unhappy with the response, the complaint is escalated to stage 2 of the process, where the Director of the department will review the complaint.</p> <p>When a customer contacts the Council with a complaint, on occasion, they may become upset, angry or frustrated over a difficult situation and the Council prides itself on the way our staff resolve these situations. Occasionally, however, our employees may have to deal with unreasonable, persistent or vexatious behaviour from our customers.</p> <p>Whilst we are committed to dealing with all complaints fairly, we will not tolerate deceitful, abusive, offensive, threatening or other forms of unacceptable behaviour from complainants, including pursuance of a complaint in a way that can hinder the investigation or unfairly take staff away from other duties. This policy explains how the Council will deal with complaints of this nature, whilst also protecting the wellbeing of our employees.</p> <p><b>Definition and scope</b></p> </div>	<p>issues to address with potential decanting and leaseholder buy-outs to be considered).</p> <p><b>Corporate</b> – Legal advice sought on what actions are open to the Council to manage the situation, including making sure that the Council remains compliant with the requirements of housing legislation and the Equalities Act 2010.</p> <p><b>Corporate</b> – An Unreasonable Complaint Behaviour Policy has been introduced using guidance issued by the Local Government and Social Care Ombudsman (LGSCO).</p> <p><b>Corporate</b> – A Single Point of Contact has been set up to manage all communications from the complainants and written instructions to this effect have been sent to the complainants.</p> <p><b>Corporate</b> – All departments and relevant contractors have been instructed to forward any communications received from the complainants to the Single Point of Contract. Advice has also been issued on the actions to take when needing to visit the property and what to do if they find the tenants filming them in the course of their work.</p> <p><b>Fareham Housing</b> – Actions taken to take allegations seriously as well as providing appropriate support to neighbours.</p> <p><b>Fareham Housing</b> – In the process of evoking the Unreasonable Complaint Behaviour Policy but need to first produce the chronology of all past interactions with the Council to generate an audit trail in support of the decision.</p> <p><b>Fareham Housing</b> – Director to meet with complainants, to understand what is triggering their behaviour and to explain what is acceptable going forward.</p>
<p style="text-align: center;"><b>Cyber Security (Update)</b></p> <p>Cyber Security continues to be a top priority for the ICT section to protect against a range of increasingly sophisticated threats to the Council's computer systems, networks and data.</p> <p>In order to maintain a comprehensive defence against cyber threats, multiple ICT security technologies are implemented to provide a layered "defence in depth" approach.</p> <p>Additional actions taken this year are highlighted.</p>	<p><b>ICT</b> – A new Security Officer is in a career graded post and undergoing training and development. There has been a change in emphasis in this role to include the deployment and use of new security technologies to monitor and protect against cyber threats</p> <p><b>ICT</b> – All local authorities were asked to take part in the Local Government Association cyber security stocktake, as part of the National Cyber Security Strategy, to ensure councils are as resilient against cyber-attacks as possible. This was a very honest assessment of our overall security presence</p> <p><b>ICT</b> – The Council has joined the South-East Government Warning Advisory Reporting Point (SEGWARP). This body meets regularly and provides a forum to share and discuss security issues.</p> <p><b>ICT</b> – Currently working towards Cyber Essentials certification, whilst continuing with the PSN code of</p>

Risk or Opportunity	Actions being taken
	<p>compliance.</p> <p><b>ICT</b> – Rewriting and publishing ICT policies to cover all areas of ICT security.</p> <p><b>Corporate</b> – At members request, a presentation is being developed on the Council’s Cyber Security arrangements, for delivery in the autumn.</p>
<p style="text-align: center;"><b>Hackitt Review into Building Control</b> <b>(Update)</b></p> <p>The Hackitt Review continues to be a focus for the Building Control sector as the changes begin to impact. The recommendations contained in the report have been accepted which will lead to changes in legislation.</p> <p>There is a proposal for a national body to be responsible for High Rise High Risk buildings and those that are deemed to be ‘in scope’ such as hospitals.</p> <p>The only certainty is that there will be change. There is limited impact for Fareham but within the Building Control Partnership, Portsmouth City Council has a number of ‘in scope’ buildings.</p> <p>Also, the Grenfell Public Inquiry could lead to further recommendations. The Chairman of the inquiry is now in the process of drafting his Phase 1 report with no date yet for publication. Phase 2 of the inquiry is likely to begin in early 2020.</p> <p>There are limited budget implications as any work carried out by the Partnership should be covered by fees. There may be some training implications.</p> <p>Further actions taken since the last report are highlighted.</p>	<p><b>Building Control</b> – Briefing by the professional body for Local Authority Building Control (LABC) in July 2019 as part of a series of updates around the country.</p> <p><b>Building Control</b> – Monitoring updates from the review and the public inquiry.</p> 
<p style="text-align: center;"><b>Uncertainty around the Impact of Brexit</b> <b>(Update)</b></p>	<p><b>Corporate</b> – The Council has appointed the Deputy Chief Executive Officer as the Brexit lead officer as requested by the Ministry of Housing, Communities and Local</p>



Risk or Opportunity	Actions being taken
<p>As central government works to secure a deal with the European Union (EU), local government needs to undertake planning and preparations to maximise the opportunities arising from Brexit as well as to mitigate any adverse impacts that may arise from the agreed deal or a potential “No Deal” scenario.</p> <p>A small amount of funding (£17,000) has been received from the Ministry of Housing, Communities and Local Government to help with preparation costs.</p> <p>Particular impacts that need to be considered are:</p> <ul style="list-style-type: none"> <li>• impact of any changes in the economy to the viability of local businesses in the borough;</li> <li>• the effect of any delays occurring at border areas (including sea ports) on the local road infrastructure;</li> <li>• the potential effect on EU nationals in the workforce of the Council, its partners and significant supply chains;</li> <li>• any potential problems with goods and materials flow in supply chains (and commissioned services);</li> <li>• ICT and data hosting arrangements the Council has in the EU;</li> <li>• the risk of public disorder arising from protests.</li> </ul> <p>Further actions taken since the last report are highlighted.</p>	<p>Government.</p> <p><b>Corporate</b> – The Council continues to participate in the Local Resilience Forum which is producing a co-ordinated plan to respond to the short-term impacts of an exit from the EU.</p> 

## Appendix C – Examples of actions taken REACTING to risks or incidents


Risk or Opportunity	Actions taken
<p data-bbox="199 324 766 392"><b>Inquest into Death due to Fire at Council Housing Property</b></p> <p data-bbox="167 403 798 907">A Coroner’s investigation commenced following the tragic death of a Council tenant after a fire in her flat in January 2018. The investigation concluded that the death was accidental but raised concerns about dust covers being left on the smoke and heat detectors at the property. This was mainly as the result of Officers being unaware that the tenant had left hospital and had returned to her property. A Regulation 28 report was therefore received from the Coroner. The Council forwarded a response and details of all the actions taken following the incident to prevent a recurrence. The Chief Coroner has since confirmed that they will be taking no further action.</p> <p data-bbox="167 929 798 1086">The Council had already been strengthening arrangements in response to the Grenfell tragedy. Other actions that have been taken in relation to managing fire risks have been covered in previous risk reports.</p> <div data-bbox="204 1254 737 1563" style="border: 1px solid black; padding: 10px; margin-top: 20px;">  <p data-bbox="252 1344 443 1433">Ministry of Justice</p> <p data-bbox="236 1512 678 1556">Coroner investigations</p> </div>	<p data-bbox="826 324 1500 470"><b>Fareham Housing</b> – Instruction issued to relevant contractors and council operatives that smoke and heat detector dust covers must be removed. Operatives attending a property to undertake work are now required to test the detectors and log this check.</p> <p data-bbox="826 492 1500 582"><b>Fareham Housing</b> – Void handover documentation from contractor now includes written confirmation that smoke detector covers have been removed.</p> <p data-bbox="826 604 1500 694"><b>Fareham Housing</b> – Smoke alarms now tested annually in every property and includes checking that no dust covers in place.</p> <p data-bbox="826 716 1500 806"><b>Fareham Housing</b> – Housing officers briefed on the incident and are now required to undertake a visual inspection of equipment when visiting tenant’s homes.</p> <p data-bbox="826 828 1500 940"><b>Fareham Housing</b> – Other parties likely to visit properties, such as cleaners, adult services, social workers, all briefed to also look out for potential fire issues when visiting, including the communal areas.</p> <p data-bbox="826 963 1500 1108"><b>Fareham Housing</b> – Officers making more regular visits to vulnerable customers deemed more likely to have a fire; these include checking smoke detectors are not covered. Additional Tenancy Support Officer post in place to assist with this.</p> <p data-bbox="826 1131 1500 1276"><b>Fareham Housing</b> – Fire safety advice leaflets were hand delivered to every council property and revised fire safety notices placed in all blocks of flats and maisonettes. A regular fire safety article is included in Tenants Voice and with the rent increase letters.</p> <p data-bbox="826 1299 1500 1388"><b>Fareham Housing</b> – Additional signage has been provided at blocks highlighting the risks of barbecues and flammable items stored on balconies.</p> <p data-bbox="826 1411 1500 1500"><b>Fareham Housing</b> – Highlighted to tenants the need for chimneys to be swept regularly and arranging for this to be done.</p> <p data-bbox="826 1523 1500 1668"><b>Fareham Housing Planned Maintenance</b> – Company employed to carry out an inspection of all property doors. Identified a suitable fire-resistant door that meets the latest specification required so can now plan the door replacement programme.</p> <p data-bbox="826 1691 1500 1825"><b>Corporate</b> – Quarterly meetings ongoing between Housing officers and property services to discuss any issues arising in our housing properties and keep fire risk assessments up to date. Progress on remedial actions arising is being monitored.</p> <p data-bbox="826 1848 1500 1993"><b>Fareham Housing</b> – Housing officers and tenancy Support officers made aware of advice and support available from the Fire Service and make referrals to them. A multi-agency protocol when vulnerable/ high risk tenants are involved may be developed.</p> <p data-bbox="826 2016 1500 2038"><b>Fareham Housing</b> – Discussions held with NHS</p>

Risk or Opportunity	Actions taken
<p data-bbox="201 327 762 360"><b>Developer withholding (CIL) obligations</b></p> <p data-bbox="165 412 791 678">A developer owed the Council over £200,000 Community Infrastructure Levy (CIL) on 3 properties in Fareham, which was due in 2017 when the development commenced. The properties had since been completed and some had been sold on, but the CIL due (plus surcharges and interest added) had not been paid.</p> <p data-bbox="165 696 791 828">The company was rumoured to have said that it was cheaper for them to pay the interest on the payment due, than borrow money to pay the full amount of what they owed.</p> <p data-bbox="165 846 775 1014">If the developer subsequently went bust, there would have been a risk that FBC would have had to write this debt off, and these monies would not be available for Community works in the borough.</p>	<p data-bbox="826 203 1522 293">foundation trust and HCC Adult Mental Health services to improve notifications to the council when a patient is discharged from hospital.</p> <p data-bbox="826 327 1522 416"><b>Development Management:</b> Issued proceedings through Portsmouth Magistrates court. The developer then paid the amount due a few days before the hearing date.</p> <p data-bbox="826 434 1522 618"><b>Development Management:</b> CIL debt recovery processes are now being started at the commencement of buildings on development sites and closely monitored by a designated officer using weekly system prints, who liaises with Principal planners when initial debt recovery processes have been exhausted.</p> <p data-bbox="826 636 1522 725"><b>Development Management:</b> CIL rules allow FBC to serve stop notices on the build before it is completed; this hadn't been used in this case but will be used for future cases.</p> <p data-bbox="826 743 1522 833"><b>Finance:</b> New debt management process instigated with FBPs adding Debt Recovery reporting to their periodic service management meetings.</p> <div data-bbox="986 913 1279 1187" data-label="Image"> </div>
<p data-bbox="191 1263 775 1330"><b>Problems with Partnership Arrangements (CAF)</b></p> <p data-bbox="165 1348 791 1706">There have been problems with the effectiveness of the partnership between Fareham B.C. and Citizen's Advice Fareham. In particular there has been differences in the application of GDPR which has made the sharing of customer information difficult to the detriment of customers, referral disengagement had risen to 68% and there had been some misinterpretation of the new homelessness legislation leading to poor advice being given.</p> <p data-bbox="165 1733 791 1962">The Council contributed to the funding of a post in Citizen's Advice Fareham and this did not feel to be achieving value for money; particularly as the new homelessness legislation training provided to officers, meant they are now equipped to provide debt and housing advice directly.</p>	<p data-bbox="826 1263 1522 1509"><b>Fareham Housing</b> – Welfare Support Officer post added to the establishment to provide specialist tailored advice and support to the increasing number of tenants with complex needs, to reduce the risk of homelessness and ensure the Council's income from rent and Council Tax is maximised. Post is being funded from the previous contribution made to the partnership. The post has since been filled.</p> <p data-bbox="826 1527 1522 1684"><b>Finance</b> – Funding from a vacant post has been used to extend the post to be full time employee, so their role can be extended to cover debt advice for customers struggling to pay off other debts they may have with the Council, as part of the Debt Recovery project.</p> <div data-bbox="1098 1706 1241 1908" data-label="Image"> </div>
<p data-bbox="290 1975 676 2009"><b>Use of Out of Date Scaffold</b></p>	<p data-bbox="826 1984 1522 2018"><b>Building Repairs and Maintenance</b> – Spotted the expiry</p>



Risk or Opportunity	Actions taken
<p>It was identified that hired scaffolding stored at the Depot during the heating works was not subject to the relevant weekly health and safety checks and was found to have expired by 3 weeks.</p>	<p>and informed the service.</p> <p><b>Property Services</b> – The Property Manager raised this issue as a near miss with the contractors, who accepted the omission and apologised. The equipment has now been removed from the Depot.</p>
<p><b>VAT Implications for Fuel at Daedalus</b></p> <p>As part of ongoing internal VAT compliance checks, it was identified that we should be receiving declarations from purchasers about their use of fuel at Daedalus.</p> <p>It was also identified that to sell fuel we may need to be a registered dealer in controlled oil (RDCO) and provide information to HMRC relating to excise duty requirements.</p> 	<p><b>Finance</b> – Confirmed with HMRC guidance that our fuel dockets meet their requirements. These are signed by the purchaser, declaring that the use of the fuel is to be used for private pleasure aircraft.</p> <p><b>Finance</b> – Confirmed that Regional City Airports (RCA) are a RDCO on behalf of FBC at Solent Airport and a copy of this certificate obtained.</p> <p>It was also confirmed that for the supply of Jet A1 (fuel type) the excise duty requirements sat with the end user – this is also confirmed on the fuel docket.</p> <p><b>Finance</b> – We are still unclear about the excise duty on the supply of AVGAS (fuel type). It is thought this requirement sits with the RDCO (in this case it is RCA rather than FBC). We are still in the process of confirming this with them and detailing how this works at other local authority owned airports.</p>
<p><b>Impact of Insurance Provider Changes on Building Control Partnership</b></p> <p>In the early part of 2019, a major provider pulled out of the Building Control insurance market. This impacts on approved inspectors who cannot operate without this cover.</p> <p>Some companies are seeking insurance elsewhere but the other big player in the market has been inflating renewal quotes meaning some companies are not able to afford the insurance leaving them with no option but to close their operations.</p> <p>This impacts on the BCP as the work that is not complete will automatically transfer over to the Council, who have to take on the responsibility. This will mean additional unplanned work, previously being reviewed and agreed by another party, being forced on the partnership.</p>	<p><b>Building Control</b> – The partnership is monitoring the situation and currently employs some casual staff who will remain on the books to cover increases in workload.</p> <p><b>Building Control / Human Resources</b> – The service had already been working to standardise the terms and conditions of staff working in the Partnership. Recruitment to posts under the new terms and conditions have been successful along with the retention package for surveyors.</p> <p>As at 1 August all but 1 former PCC and GBC employees will be under a FBC contract.</p> <p><b>Building Control / Human Resources</b> – The Partnership continues to monitor resources and how these are best used.</p> 
<p><b>Excess Charging by Contractors (Update)</b></p> <p>Invoice checking by a member of building services staff identified duplications of charges</p>	<p><b>Finance (Audit)</b> – A fuller in-house audit has been conducted. No further duplicate payments were found, but issues were found with the accuracy of the arithmetic on</p>


Risk or Opportunity	Actions taken
<p>with contractor and sub-contractors invoicing the Council for the same works. Additional discrepancies with the value of orders were found.</p> <p>The actions the Council was taking to address this risk were detailed in the September 2018 risk report. Further actions that have been taken since are listed here.</p>	<p>some invoices. There were also some Contractors that have been including extra charges on their invoices which were considered excessive.</p> <p><b>Building Repairs and Maintenance</b> – The new Head of Service has been negotiating with those contractors identified to amend the nature of agreements with them, so that charges can be robustly challenged in the future.</p> <p><b>Building Repairs and Maintenance</b> – The Administration team are now required to double check each invoice to ensure that there is no opportunity for overcharging.</p>
<p><b>Resourcing the Internal Audit Plan</b></p> <p>The Public Sector Internal Audit Standards (2017) requires <i>“the chief audit executive to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement”</i>.</p> <p>To achieve this the chief audit executive is required to develop a risk-based plan of work for delivery. Fareham Borough Council create an Internal Audit Annual Plan of assignments to be delivered in the following year, which is approved by the Audit and Governance Committee. It is resourced by both in-house auditors and external auditors under a partnership with Portsmouth City Council (PCC).</p> <p>The 2018/19 plan detailed 23 discrete audit areas of work, and under the FBC Internal Audit Strategy at least 20 pieces of audit work need to be produced to support the annual opinion.</p> <p>Both audit teams experienced in the year an unprecedented level of problems delivering the plan due to staffing issues within the teams or with clients, caused by long-term sickness of staff or their loved ones, staff turnover, maternity leave and disciplinary proceedings. The effect of this was that as at the end of quarter 4 of the year only 9 of the assignments in the plan had been finalised.</p> <p>Failure to maintain an adequate internal audit service would be criticised by the external auditors in their Annual Letter.</p>	<p><b>PCC Internal Audit</b> – Carried out a recruitment drive for both qualified and trainee auditors to fill vacancies. Where applicable there has been use of agency staff.</p> <p><b>PCC Internal Audit</b> – Utilised a specialised audit resource from another local authority to deliver a key computer audit.</p> <p><b>FBC Internal Audit</b> – Completed a restructure which included an additional Apprentice post, with the training costs funded by the Apprentice Levy. The post assists in gathering audit evidence and providing information to other members of the Audit team allowing them to focus on writing the detail of audit findings and ensuring recommendations are implemented.</p> <p><b>PCC and FBC Internal Audit</b> – Audit Plan work was ring fenced and resources concentrated on turning around planned audits. Non-essential work was put on hold until the annual opinion was delivered.</p> <p><b>PCC and FBC Internal Audit</b> – Change in approach implemented for 2019/20 audit to allow earlier completion of part of the plan.</p> <div data-bbox="932 1326 1442 1702" data-label="Diagram"> </div>
<p><b>Skills Shortage</b></p> <p>There is a risk of not being able to recruit to certain posts especially for front line staff, as FBC cannot compete with the increased</p>	<p><b>Human Resources</b> - Recruit via agencies where need to</p> <p><b>Corporate</b> - The Corporate Projects Team have been leading on working with the refuse collection services to rebalance the refuse rounds in line with current and future demand. This will help plan staffing levels and maximise</p>



Risk or Opportunity	Actions taken
<p>salaries in the marketplace.</p> <p>Failure to do so will impact on the service that can be provided to customers,</p> <p>Particular hard to recruit groups are HGV drivers in the refuse collection service, Gardeners and Estate Surveyors.</p>	<p>the deployment of existing HGV drivers.</p> <p><b>Human Resources</b> - Introduced a market supplement to the estate surveyor's role to attract and retain staff. FBC also now paying agency introduction fees and paying Golden Hellos in some instances to attract the right staff.</p>
<p><b>Maintaining Adequate Staff Numbers for the Out of Hours Service (Update)</b></p> <p>The Council has an on-going risk to manage concerning our ability to recruit the right number of officers to respond to emergencies that occur out of normal working hours, as the number of out of hours officers had reduced from 5 to 3.</p> <p>A contributory factor was the volume of car park barrier fail calls that were being taken by Out of Hours Officers.</p>	<p><b>Communications and HR</b> – A recruitment drive has been successful and there is a full team of 5 in place with the added security of a waiting list.</p> <p><b>Parking Services</b> – Improvements had been made to the volume of parking calls as a result of the introduction of ticket related ANPR recognition at Market Quay.</p> <p><b>Corporate Project Team</b> – A Corporate Review of parking is being conducted. The outcome of this could further influence the number of calls relating to car park barrier problems.</p>
<p><b>Failure of Print Room Equipment (Update)</b></p> <p>The Council currently has an in-house central print room to carry out the majority of print and finishing work that cannot be carried out on individual floor machines.</p> <p>Following the failure of a printer and enveloper during the 2017/18 annual council tax bill run, alternative solutions for printing are being sought.</p> <p>Additional actions taken this year are highlighted.</p> 	<p><b>Finance/ICT</b> – An external provider was used for the 2018/19 annual bill run, successfully printing and posting 50,000 council tax and 3,000 business rates annual bills in March. Two weeks were saved in the billing process and there was a reduced need for overtime to manage the process in the finance and ICT teams.</p> <p><b>Finance</b> – The external provider is now also being used for daily billing for council tax and business rates with up to 100 letters a day.</p> <p><b>Finance/ICT</b> – Promoting the use of the external provider for large prints of over 50 items.</p> <p><b>ICT</b> – The enveloper is not being replaced and we are no longer paying for annual maintenance.</p> <p><b>Corporate</b> – The Projects team are now leading on the project to improve the effectiveness and efficiency of printing solutions used across the Council, and to lead on identifying alternatives to communicating by print and post. Some projects already in progress are paperless payslips, paperless committees, paperless creditor remittances and paperless debtor invoices. They are also reviewing ways of expanding the use of the MYACCOUNT facility on the Council's website.</p>



## Appendix D – Examples of new actions taken ANTICIPATING risks or opportunities

Risk or Opportunity	Actions taken
<p><b>Responding to the Homelessness Reduction Act (Update)</b></p> <p>The Homelessness Reduction Act came into force on 3 April 2018.</p> <p>The Act places a new duty on local authorities to help prevent the homelessness of all families and single people, regardless of their vulnerability, who are eligible for assistance and threatened with homelessness.</p> <p>The Government has since published a rough sleeping paper which is connected to a number of funding streams available to assist meeting Council obligations. At the same time Hampshire County Council (HCC) has been reducing some commission funding arrangements with district councils.</p> <p>In 2018/19 the Council had 1,344 people approach them for homing assistance.</p> <p>The actions the Council was taking to prepare for the new responsibilities were detailed in the September 2017 risk report, with an update in September 2018. Further actions that have been taken since are listed here.</p> <div data-bbox="165 1312 796 1536" style="text-align: center;">  </div>	<p><b>Fareham Housing</b> – The first annual review of how we are responding to the Homelessness Reduction Act has been completed, along with a full review of homelessness provision. The key findings, our achievements to date and a proposed approach going forward has been presented to Housing Scrutiny Panel. The Panel supported the approach and agreed the priorities, so work can now move on to prepare a draft Homelessness Strategy for presentation to the Executive prior to going out for consultation. The Strategy will be closely aligned with the Government’s overarching Strategy.</p> <p><b>Fareham Housing</b> – Work is taking place to refresh the team’s approach to putting the customer at the centre of what they do and trying to do what is best for the individual customer in trying to solve their housing issues.</p> <p><b>Fareham Housing</b> – Funding from Ministry of Housing, Communities and Local Government (MHCLG) has been secured for Homelessness initiatives. £60k has been secured under a Rough Sleeper Initiative: this is to fund increased outreach provision by Two Saints. A further £25k has been secured under the Private Rented Sector Access Fund. This will fund 0.5 FTE post for 1 year who will work closely with customers and private landlords to help make tenancies as trouble free as possible for those customers who do not meet the homelessness thresholds but for whom landlords are still hard to find.</p> <p><b>Fareham Housing</b> – Executive approval has recently been secured to provide £70K of funding to maintain rough sleeper staged support until March 2021, which has, up until now, been funded as commissions by HCC. There remains a risk that HCC will further reduce the level of staged support they can fund which will be considered in the Homelessness Strategy.</p> <p><b>Fareham Housing</b> – Work is being carried out to reduce duplication of work on individual cases between the Rough Sleeper Action Group and the more community safety focused Partnership Action Group.</p> <p><b>Corporate</b> - A new website, Fareham Street Aid, was launched in September 2018 as a platform for agencies working together in Fareham to help vulnerable people off the streets. This also provides advice to the public on how they can best help.</p>
<p><b>Senior Management Development (Opportunity)</b></p> <p>An opportunity has been identified to further strengthen the leadership at FBC by rolling out training on high performing teams and identifying ways to improve team communication and working.</p>	<p><b>Corporate</b> – A specialist external company has been employed to lead workshops in which all Heads of service and Directors work together to identify a common brand and set of shared values, which should lead to improved cross departmental working and leadership.</p> <p><b>Corporate</b> – All senior managers required to complete an individual emotional intelligence assessment. The results were discussed in private in one to one sessions with an external consultant, who highlighted any areas they</p>

Risk or Opportunity	Actions taken
	needed to be aware of and the potential consequences in the work place.
<p><b>Delivering Housing Development Sites</b></p> <p>During 2018 and since the creation of Fareham Housing in 2017 there has been increased cross-department focus on progressing several potential development sites for affordable housing purposes. This will contribute to the Corporate Strategy 2017-2023 of 'Providing Housing Choices'.</p> <p>Actions have been, and continue to be, taken to ensure Fareham Housing are in a strong position to continue to progress the development sites to completion.</p> 	<p><b>Fareham Housing Strategy</b> – Award of contract for Bridge Road and Highlands Road development sites has been completed. The Design and Build contract was competitively tendered, with submissions critically reviewed by the Employers Agent and in-house evaluation team. A 10% contingency has been allowed for the cost of the project anticipating any unforeseen issues that may arise.</p> <p><b>Fareham Housing / Procurement</b> – The potential use of small and medium sized enterprises (SMEs), as promoted by the Council's Procurement and Contract Procedure Rules, to deliver these projects has raised resilience issues around contractor stability and external issues that could affect them. Questions were therefore written into the qualification process to mitigate this risk as part of the procurement process.</p> <p><b>Fareham Housing / Property Services</b> – Team members are being equipped to deal with unforeseen issues. For example, a neighbour to the Bridge Road site has extended their rear boundary into the FBC site. Consideration has already been given to how this may impact on the development and other teams that may need to be involved, e.g. planning, legal services.</p> <p><b>Fareham Housing Strategy</b> – Working with Building Control to address whether sprinklers are required as part of the development and managing installation and maintenance implications.</p> <p><b>Fareham Housing Strategy</b> – An audit file is required for Homes England which is resource hungry at acquisition, start and practical completion stage. This is a new area of work for members of the team. Reference is therefore being drawn from previous audit files prepared by the Property Team who also have some experience of this area of work. An issue around RICS valuation of site at acquisition has been raised but this should now be addressed.</p> <p><b>Fareham Housing / Finance</b> - Funding for the next tranche of schemes is partially earmarked recognising certain capital receipts are appropriate to utilise to enable development to proceed. It is hoped that Homes England will extend the current grant funding programme beyond 2020/21. For potential larger scale projects that may emerge a partnership approach with Aspect (Vivid, Radian, Eastleigh BC) remains an option. Potential alternative partnership arrangements could also be given consideration to provide the resources and skill base.</p> <p><b>Corporate</b> – How to maintain staffing resilience across the housing and property areas of expertise is being considered for when larger scale projects come through.</p>

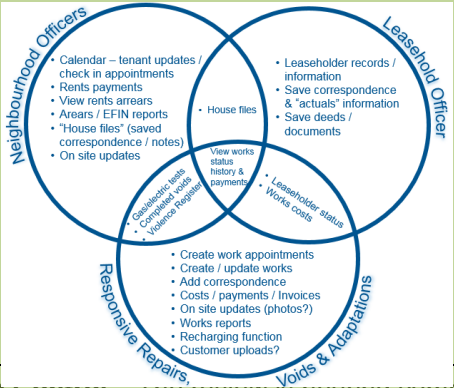

Risk or Opportunity	Actions taken
<p style="text-align: center;"><b>Health and Safety of Tradesmen</b></p> <p>A review of the health and safety risk assessments for Tradesmen was conducted to ensure that they were fit for purpose and compliant.</p>	<p><b>Building Repairs and Maintenance</b> – Work has been completed such that there is now confidence in the quality of the documents and procedures in place.</p>
<p style="text-align: center;"><b>Ensuring Value for Money from Housing Contractors (Update)</b></p> <p>Interim arrangements were put in place a few years ago to secure contractors to carry out voids and responsive repairs work on the Council's housing stock. The value of spend on this work is significant.</p> <p>As previously reported this arrangement needed to be subject to market testing at some point in order to be compliant with the Council's Procurement and Contract Procedure Rules and avoid an external challenge.</p> <p>The actions the Council was taking to address this risk were detailed in the September 2017 risk report, with an update in September 2018. Further actions that have been taken since are listed here.</p> <div style="text-align: center;">  </div>	<p><b>Procurement and Building Services</b> – An OJEU compliant tender process was completed for Void Property Maintenance and Component Improvements (such as kitchens) and the works were awarded to a new contractor by the Executive in February. The contract started in April 2019 and will last for a period of 3 years.</p> <p><b>Procurement Services</b> – A procurement event has been conducted to promote working with the Council to local small and medium sized enterprises (SMEs), so that small local companies have an option to declare their interest. As a result, 109 contractors have made themselves known to the Council who have been asked to complete pre-qualifying questionnaires.</p> <p><b>Procurement and Building Services</b> - At the end of July 19, lots to cover the whole spectrum of trades (21 in total) covering all aspects of responsive building services work to support our in-house team became available on the FBC Procurement Portal, so larger companies now have the opportunity to also express an interest. The tender papers will be issued in August for a 4-week period.</p> <p>The Council already has trades directly employed and the framework is designed to provide additional resource as and when required. It is anticipated that up to 6 contractors will be established for each lot. There will, however, be no guarantee of any value or volume of work from FBC under the framework agreement.</p> <p><b>Procurement Services and Building Services</b> - Joint working is underway with legal, property and planned maintenance teams to draft the tender documentation and to agree the terms and conditions (including the ordering procedure). It has been agreed to use the cost plus (or prime cost) approach, rather than a schedule of rates. Under this approach a contractor will quote labour rates together with any additional costs including materials, profit and overheads. This approach does have its risks in that the Council will not have any control over charges, for example, against material costs. However, this approach will be more practical as the Council does not have the resources to measure jobs before they are completed or to evaluate the jobs completed by the contractor. In order to try and mitigate unreasonable costs, contractors will be required to include a detailed breakdown of their costs, including labour rate, number of hours on the job, materials and overhead/profit values. The risks have been considered and mitigations identified where possible.</p>
<p><b>Managing the Change Implications of Staff</b></p>	<p><b>Corporate</b> – All proposed changes require sign-off by the</p>



Risk or Opportunity	Actions taken
<p style="text-align: center;"><b>Restructures</b></p> <p>A number of staff restructures or recruitment exercises have been started and/or completed over the last year to keep the team structures relevant to the needs of the service. These have included:</p> <ul style="list-style-type: none"> <li>• Street Scene</li> <li>• Human Resources</li> <li>• Ferneham Hall</li> <li>• Building Control</li> <li>• Parking Services</li> <li>• Property Services</li> <li>• Financial Services</li> </ul>  <p>The risks associated with staff changes, such as ensuring that all people are treated fairly and with dignity, employment legislation is adhered to and the service can continue to function during the period of change, are managed in collaboration between the Service and the Human Resources team.</p>	<p>Head of Paid Service.</p> <p><b>Human Resources</b> – Lead on identifying which posts are eligible for TUPE transfer, or where redundancy packages need to be offered, when a new provider is involved. Also lead on looking for opportunities for redeployment.</p> <p>Specialist legal advice sought where options are not clear.</p> <p><b>Human Resources /Services</b> – Consultation meetings held with team to explain the proposals Unison representatives present. Set number of weeks given for feedback after the consultation.</p> <p><b>Human Resources /Services</b> – Joint meetings held with affected employees to explain options and implications prior to the main consultation.</p> <p><b>Finance</b> – Assist with carrying out a financial implication assessment of proposed restructures.</p> <p><b>Corporate</b> – On-street parking enforcement is due to be returned to Hampshire County Council in April 2020, which will have a financial impact on the Council. The Corporate Projects Team have been leading on a project to identify options to minimise the financial impact of this change, and how to effectively maintain the off-street parking enforcement service.</p>
<p style="text-align: center;"><b>Making Tax Digital</b></p> <p>This is a Government initiative that sets out the vision for a transformed tax system. As records are now increasingly kept electronically the Government hopes that by implementing digital record keeping it will reduce the amount of tax lost through error and failure to take reasonable care</p> <p>Phase One – will be a one-way system where data will be sent to HM Revenue &amp; Customs (HMRC) from the business via an automatic link to the VAT return gateway. The go-live for local authorities is for the October 2019 return which needs to be submitted in November. (The Council submits a VAT return each month and submits one quarterly for Portchester Crematorium).</p> <p>Phase Two – allows HMRC to have access to our finance system at individual invoice level. The planned go-live for this is September 2020.</p>	<p><b>Finance</b> – Engaged with suppliers for the Phase One Application Programming Interface (API) enabled spreadsheets that will allow the VAT Return to be submitted directly to HMRC through a digital link. A digital link is where a transfer or exchange of data is made electronically between software programs without the involvement of manual intervention.</p> <p>The spreadsheet will contain a submit button which when pushed requires the officer to log onto the HMRC portal to retrieve an activation code to complete the transfer.</p> <p><b>Finance</b> – The timing of the installation is being planned to maximise the value of the annual subscription whilst allowing a dry test run for the September return.</p> <p><b>Finance</b> – As part of the ongoing Finance System procurement we will ensure Making Tax Digital requirements are included in the specification.</p> <p><b>Finance</b> – Discussions held with ICT security officer to make there are no security implications.</p> 
<p style="text-align: center;"><b>Strengthening Civil Contingency arrangements (Update)</b></p>	<p><b>Emergency Planning Team</b> – An annual emergency planning report has been introduced.</p>

Risk or Opportunity	Actions taken
<p>The Civil Contingencies Act 2004 (CCA) designates district councils as Category 1 responders with access to a number of services which may be called upon, at any time by other agencies as part of the response</p> <p>The Act also requires local authorities to maintain Business Continuity Plans, to ensure that following a serious disruption, services can be provided to the community.</p> <p>The Council continuously monitors the arrangements we have in place to ensure we meet those responsibilities.</p> <p>From April 2018 a new partnership was formed with the Portsmouth and Southampton City Councils' Emergency Planning Response and Resilience Team, who also work with Eastleigh and Gosport Borough Councils to provide emergency preparedness, resilience and response. The benefit of the partnership is that it covers both aspects of the CCA.</p> <p>Actions the Council was taking to ensure it meets its responsibilities were detailed in the September 2018 risk report. Further actions that have been taken since are listed here.</p>	<p><b>Emergency Planning Team</b> – A series of training workshops have been conducted to ensure Control Centre staff are aware of the latest roles and responsibilities designated in the Emergency Plan.</p> <p><b>Corporate</b> – The Revised Business Continuity Policy and Business Continuity Plan has been approved. Critical Service Business Continuity Plans were completed in July.</p> <p><b>Emergency Planning Team</b> – A workshop business continuity exercise (TAXIT) was carried out in July 2019. This involved representatives from Finance, Council tax, ICT, and Communications who worked through a scenario on how they would respond following an alleged transfer of confidential housing benefit and/or council tax data to an external party. Generally, all parties were able to work together to work through the problem appropriately, with some actions arising.</p> <div data-bbox="997 795 1412 1079" style="text-align: center;">  </div>
<p style="text-align: center;"><b>Mobile Phone Replacement</b></p> <p>New corporate devices were sought to ensure officer's phones were fit for purpose, rationalised and consolidated.</p> <p>Mobile devices are increasingly used for emails and accessing data, in addition to calls, and the mix of Android and Windows phones were becoming obsolete.</p> <p>Standardising the corporate smart phone model provided good value for money together with consistent management, security and control. This would also reduce the resources needed to manage the phone suite.</p> <div data-bbox="279 1630 683 1854" style="text-align: center;">  </div>	<p><b>Corporate</b> – Managers were asked to review who had a mobile phone in their team and assign them as needing either Smart phone functionality, or just a hand set to make calls.</p> <p><b>ICT</b> – 121 new smart phones and 61 call handsets were purchased and assigned to designated users. Only 2 models now being used by employees to make providing ongoing support to users simpler.</p> <p>Running costs will be greatly reduced and software will be able to be rolled out onto the new devices with greater ease and speed. This will be a rolling programme with the next likely replacement needed in 2 years' time.</p> <p><b>ICT</b> – New contract negotiated with provider to give better call rates and data allowances, with an overall reduced tariff. The new contract also better reflected the Council's usage.</p> <p><b>ICT</b> – Bills now run on an amalgamated corporate account sharing data and call allowances.</p>
<p style="text-align: center;"><b>Increased Risk of Subsidy Penalties due to roll out of Universal Credit</b></p> <p>Since November 2018 the government has</p>	<p><b>Fareham Housing Benefits</b> – Staffing levels and team responsibilities are being reviewed again in light of the increased roll out of Universal Credit.</p>



Risk or Opportunity	Actions taken
<p>been changing the nature of the benefit most new claimants apply for from the Housing Benefit scheme to the Universal Credit scheme. This is administered by central government thus reducing the need for benefits staff in Councils. Workforce planning has therefore been in place to reduce the number of staff employed.</p> <p>Following the learning from their Vanguard review, resources had also been switched from carrying out secondary monitoring of claim calculations to upskilling front line assessors to get the claim correct first time. The calculations were done in the presence of the customer who acted as a secondary check at the time of the assessment.</p> <p>However, the Council still administers the Council Tax Support Scheme for all types of benefit claimant. This demand arrives as non-customer led demand, for Universal Credit claimants, in the form of automated notifications from the Department of Work and Pensions (DWP) for new claimants.</p> <p>The Council also gets automated notifications of changes in circumstances, such as tax credit adjustments, from HM Revenues and Customs for all claimants.</p> <p>Without face to face customer engagement extra resources may need to be introduced to carry out secondary case monitoring, as there is a risk that errors can creep back into the system. These would have an impact on the DWP subsidy claim and external audit report.</p>	<p><b>Fareham Housing Benefits</b> – The Local Council Tax Support Scheme is being reviewed to see if this can be redesigned to prevent the number of adjustments to claims occurring. Modelling work it being carried out to see if a move to a less means tested scheme to a banding and then discount scheme could be introduced by 2021/22. A transitional scheme may be needed along the way which will have financial implications.</p> <div data-bbox="858 613 1493 1025" data-label="Image"> </div>
<p><b>Improving the effectiveness of Sickness Absence Management</b></p> <p>A review has been carried out of the Sickness Absence policy to simplify and automate the process where possible. This will make the process more constituent and should help reduce absence levels.</p> <div data-bbox="504 1608 785 1816" data-label="Image"> </div>	<p><b>Human Resources</b> - The sickness absence policy has been rewritten, revamped and updated, shrinking the wording from 50 pages to 4, removing loops, merging short-term and long-term sick distinctions. It is currently being tested by managers to check it is fair and consistent.</p> <p><b>Human Resources</b> – New module for the Human Resources system being implemented which will improve the management of the records of sickness absence, including identifying trigger points and automatically emailing line managers and HR when actions are needed.</p> <p><b>Human Resources</b> - A new Management Development Coach is in post, who is coaching managers on dealing with sickness, capability and other difficult staff management scenarios.</p>
<p><b>New Housing System including reducing Rent Arrears (Opportunity)</b></p> <p>A strategic decision has been taken to implement a new Housing System that will encompass Fareham Housing’s asset</p>	<p><b>Fareham Housing Policy Team</b> – Presentations have been attended by key team members to view the systems available in the marketplace. A working document has been prepared to set out the framework in order to prepare the appropriate documentation on the G-Cloud, whilst</p>

Risk or Opportunity	Actions taken
<p>portfolio including responsive and planned repairs, Tenancy Management and Leaseholder property repairs.</p> <p>This presents the opportunity to eliminate the current disjoint of systems with automation of data transfer and management of improved information and functionality to meet the needs of Officers, and by extension, Fareham Housing's customers.</p> <p>This also presents the opportunity to improve rent collection and arrears management by having better records and information available for the neighbourhood officers, making it easier for them to use and engage with individual tenant issues. More timely arrears intervention should also help support tenants to pay their rent which is a key part of supporting tenants to stay in their homes.</p>	<p>meeting the following objectives:</p> <ul style="list-style-type: none"> <li>• Support users with the functionality identified</li> <li>• Meet ICT requirements for platform, accessibility and integration</li> <li>• Provide lifetime value</li> </ul> <p><b>Fareham Housing Policy Team</b> – Member approval in principle has been obtained to build funding into the Capital programme as part of revised budget setting. To ensure accurate costing the following will be clearly defined: the modules included, the costs of the Software Licence, Implementation, Project Management, Training, Hosting and Annual Maintenance costs.</p> <p><b>Fareham Housing</b> – Upskilling training is being arranged for the Neighbourhood Officers to manage rent arrears and engage with the issues the customer faces and challenges to be met. However, an improved system should make the record element of this task more streamlined.</p>  <p>The Venn diagram illustrates the intersection of three roles: Neighbourhood Officers, Leaseholder Officer, and Responsive Repairs/Voids &amp; Adaptations. The central intersection of all three roles includes tasks such as 'View works status history &amp; payments' and 'Leaseholder status'. Neighbourhood Officers handle tasks like 'Calendar - tenant updates / check in appointments', 'Rents payments', and 'On site updates'. Leaseholder Officers manage 'Leaseholder records / information' and 'Save deeds / documents'. Responsive Repairs/Voids &amp; Adaptations focus on 'Create work appointments', 'Create / update works', and 'Recharging function'.</p>
<p><b>Vanguard Intervention into the Building Control Service (Opportunity)</b></p> <p>The Building Control team have been carrying out a Vanguard review of the service as part of the latest phase of reviews, to maximise their delivery of what matters to their customers.</p>  <p>The Vanguard logo features the word 'VANGUARD' in a bold, sans-serif font above a stylized graphic of vertical bars of varying heights, resembling a bar chart or a modern architectural element.</p>	<p><b>Building Control</b> – The review is nearing completion. Changes that have been flagged for improvement include:</p> <ul style="list-style-type: none"> <li>• Opportunities to reduce delays in approving work by reducing hands offs</li> <li>• Application form has been redesigned to determine who is responsible for the fee</li> <li>• Office changes are needed to enable the whole team to be in the same office rather than on different floors</li> <li>• The Reports from the finance system to Ocella could be improved</li> </ul> <p><b>Building Control</b> – The learning from the review will be rolled out to all staff commencing late July 2019 with an update to the Officer's Panel due in early August.</p> <p><b>Building Control</b> – Investigations are taking place into how office accommodation can be combined.</p>
<p><b>New Finance System (OPPORTUNITY)</b></p> <p>The Council has been using their current finance system, eFinancials, since 1994. The system has become outdated and clunky with inefficient paper-based processes and procedures. The Oracle database has also needed greater</p>	<p><b>Finance</b> - Soft market testing has been carried out over the last 2 years which has shown there are modern user-friendly systems available with efficient electronic workflows and functionality.</p> <p><b>Finance</b> – Extensive user feedback has been sought to understand what matters to them and to inform the order of priorities for the system.</p>

Risk or Opportunity	Actions taken
<p>support from ICT with an increasing associated licence code. With more systems moving to the Cloud there is an opportunity to purchase a more efficient and future-proofed system, which can take advantage of new technologies such as electronic invoicing. This will give benefits in terms of the service that can be provided to customers and stakeholders, and cost savings across the Council in carrying out financial administration.</p> <p>Functionality in particular needed for improvement are:</p> <ul style="list-style-type: none"> <li>• Purchase ordering and invoicing</li> <li>• Budgeting and forecasting</li> <li>• Debt management</li> <li>• Reporting for service users (moving to a dashboard look and feel)</li> </ul> 	<p><b>Finance</b> – On-going data cleansing and redesign has been carried out on the current system to achieve the efficiencies possible without purchasing a new system, and to maximise processes ready for transfer to the new system. Workshops have also been held to design the perfect process flow that we would want, utilising the functionality in a new system</p> <p><b>Finance / ICT</b> – The new system specification is being written which will consider specific requirements to FBC. A core team (including ICT) is writing the specification supported by a wider team who will evaluate the new system and provide feedback on areas that might need adjusting, or not meet user requirements. There are certain areas of expertise that need to be included, such as VAT, Exchequer Services and Debt Management.</p> <p><b>Finance</b> – Carrying out planning to ensure we have the resource to implement the new system properly and that key times in the finance calendar are avoided, especially the financial year end.</p> <p><b>Finance</b> – Discussions have been held with neighbouring councils who are also seeking to replace their finance systems.</p>
<p><b>Microfiche Project to remedy the risk that we could potentially lose access to 50 years of Planning Applications</b></p> <p>FBC hold Planning records from 1948-2000 which could only be accessed via Microfiche readers. We have a legal obligation to keep planning applications indefinitely and that they are in a form that the public can come and inspect the records.</p> <p>There was a cost to maintaining the microfiche and readers and suppliers were becoming rarer. If the readers failed there was no back documentation that could be used.</p> <p>Accessing the information by microfiche was also a slow process for planning staff and the public.</p>	<p><b>Development Management:</b> Procured an external specialist to scan and index all the documents held on Microfiche.</p> <p><b>Development Management:</b> Recruited a temporary staff member to complete the project by linking the documents into the Planning system (Ocella) and the Document Management system (BPMS) to speed up searching and retrieval. There were over 10,000 documents involved.</p> <p><b>Development Management:</b> Microfiches and readers will be kept for a couple of years to allow testing of the data integrity of the new documents.</p> 



# FAREHAM

## BOROUGH COUNCIL

### RISK MANAGEMENT POLICY



#### Introduction

Risk is a fact of life. The day to day management of an organisation and delivery of services involve foreseeing and averting problems and maximising opportunities. Risk management is not about risk avoidance but risk awareness.

Fareham Borough Council recognises that risk management is an intrinsic part of Corporate Governance. It seeks to ensure that every member and employee of the Council has regard for the management of risks throughout the organisation to ensure that the Council's resources that our customers rely on are not squandered as a result of uncontrolled risk.

However, our aim is to put dealing with risks and opportunities at the forefront of our process, rather than tie up resources in the management of a rigid supporting framework. Instead we will *implement robust and integrated risk management arrangements*, as required by our Local Code of Corporate Governance, by adopting and adhering to a number of key principles.

This document therefore sets out our approach to risk management, as determined by the Chief Executive's Management Team, and endorsed by the Audit and Governance Committee.

#### Overriding Principle

The overriding principle of this policy is:

Risk Management is an integral part of basic everyday management and decision making and is not a separate corporate process.

# The Purpose of Risk Management

The Council has defined the purpose of its risk management arrangements as:

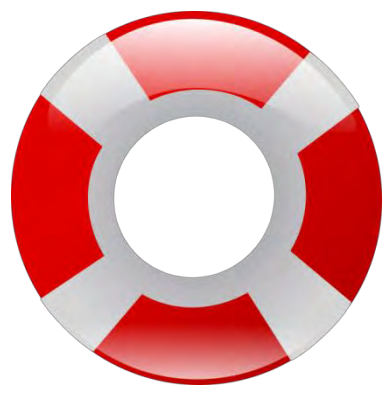
We want to know what risks we are facing  
We want to know when opportunities arise

We want to be aware of what actions we are relying on  
We want to know if there are additional actions we need to take



So that we can....

Prevent bad things from happening  
Not miss out on good things



So that we can....

Avoid injury to people  
Minimise avoidable cost  
Maximise resources available  
Deliver the purposes of the services we provide  
Inspire confidence in our stewardship in our customers and tax payers



# The 7 Principles of Risk Management at Fareham Borough Council

The basic principles in which risk management operates at the Council are summarised below:

## 1. Risk Ownership in Services



- Risks are owned at the service level.
- Identifying and managing the risks of a service is an integral part of managing the service. This includes horizon scanning to identify new and changing risks and opportunities.
- Every service, system and project has an owner with responsibility for it.
- The owner for most risks is usually clear from the roles and responsibilities in the service.
- Managers make sure that employees are well briefed and actively involved in identifying and understanding risks and determining the actions they need to take to contribute to the management of risks.
- This means everyone should work to understand and remove the things that impede achievement of their purpose.

## 2. Competent and Responsible Employees



- We employ competent and responsible managers and employees.
- This is underpinned by strong recruitment and performance management processes and, where necessary, corrective action.
- We trust managers to manage well which includes the identification and management of risk and opportunity in their service area.
- We trust employees to carry out the actions required of them to mitigate risks.
- It is incumbent on all to be:
  - a) proactive in giving confidence to others that key risks are being managed effectively, by using appropriate reporting and assurance methods.
  - b) proactive in obtaining assurances from others involved in carrying out actions which help manage risks for which they are responsible.

### 3. Experts Pulled in to Advise



- Service managers who need help to manage specific risks pull in experts when required.
- This could also involve having a conversation with a senior manager or fellow manager who has been in a similar situation.
- Certain risks are cross cutting and also need ownership at a corporate level to lead on translating, learning and providing support and solutions to service managers.
- A list of experts for those risk areas where ownership is not clear from the organisational structure is maintained as Appendix 1 to this policy.

### 4. Process is supported by Having Conversations



- Further risks may be identified by others (e.g. team members, other managers, legal services, internal audit) which are brought to the service manager's attention by having conversations.
- Further risks may also be identified by having conversations with parties outside of the Council.
- Where ownership for a risk is not clear interested parties meet to agree a way forward.



### 5. Identifying Opportunities to Share

- The organisation shares information about risks being managed at the service level and identifies common issues that may turn them into cross cutting or corporate risks.
- It is the responsibility of managers to appreciate the roles and responsibilities of other services and when risks and solutions they have identified in their service might be relevant to them, and to bring it to their attention.
- We provide an environment that encourages all employees to feel part of one organisation and to be aware of the full range of services provided by the Council and to notice and pass on information that may be of value to another service. (*The eyes and ears of the borough*)
- Experts and support services are in an ideal position to appreciate when problems and solutions being identified for one service could be relevant to another. (*The eyes and ears of the organisation*)



## 6. Escalation of Issues



- Employees are trusted to identify when issues need to be escalated in order to alert supervisors, managers and senior managers, or so that resources can be diverted to help with the management of the risk.
- The culture of the organisation makes employees comfortable in escalating problems.
- Our aim is to avoid feeding too much detail upwards to allow managers to see the important issues clearly and react quickly.

## 7. Incident Management and Review



- Incidents are risks that have occurred and are a measure of how well we are achieving our purposes.
- Most Incidents are directly managed by the service or escalated if corporate awareness or support is needed.
- Some incidents may require the lead to be taken by another service, e.g. insurance claims.
- After the incident a review is undertaken to identify any actions that may be needed to prevent recurrence.
- Questions to be asked should include:  
*How did it happen, was it predictable, could it happen again, what could we do to prevent it?*
- Conversations with Senior Managers take place, as appropriate, to understand incidents and facilitate learning and to provide feedback on actions taken to prevent recurrence.

## Other Components of our Risk Management Arrangements

Other components of our governance framework which also assist in the management of risk are:



In particular Horizon Scanning by CXMT and internal audit will assist in identifying responsibility for new areas of risk

### Monitoring and Reporting

**Level 1 – Managers:** Discussions are held with a selection of managers every 6 months to gain assurance that the principles are working in their areas. The conversation includes:

- a) Their perceptions of their current top risks
- b) Any new or changes in risk/opportunities they have identified

- c) Any mitigating actions they have taken recently to strengthen risk management arrangements
- d) Any incidents that have occurred and the lessons learnt/ actions taken as a consequence.

**Level 2 – CXMT:** A summary of these discussions is presented to the Chief Executive's Management Team where further topics being managed at the corporate level are noted. The top risks at the corporate level are agreed.

**Level 3 – A&G:** The top risks and incidents in the period are then presented to the next Audit and Governance Committee. Where appropriate, the manager involved in managing a key risk/incident also attends the Committee.

### **Annual Assurance on Arrangements**

The Chief Executive's Assurance Group carries out an annual review of the effectiveness of the framework for identifying and managing risks and for performance and demonstrating accountability.

This includes a review of the Head of Internal Audit annual opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

### **Maintaining the Policy**

This policy is not expected to be a static document and will be updated as implementation of the arrangements identifies a need for clarification, revision or expansion.

## Appendix 1

### Risk Leads/Experts for Cross Cutting Risks

<b>Risk Subject</b>	<b>Risk Lead</b>
<b>Data Protection</b>	Head of Democratic Services
<b>Information Security</b>	Head of Personnel and IT
<b>Emergency Planning and Business Continuity</b>	Head of Parking and Enforcement
<b>Fraud and Corruption</b>	Head of Finance and Audit
<b>Governance</b>	Head of Finance and Audit
<b>Procurement</b>	Head of Democratic Services (process) Fareham's Solicitor to the Council (compliance with the law)
<b>Health and Safety of Employees</b>	Head of Environmental Health
<b>Health and Safety of the public</b>	Relevant Head of Service in conjunction with Head of Environmental Health
<b>Partnerships</b>	Head of Corporate Services
<b>Safeguarding</b>	Head of Environmental Health
<b>Trees</b>	Head of Development Management

# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 September 2019

**Report of:** Deputy Chief Executive Officer

**Subject:** INTERNAL AUDIT PROGRESS REPORT

#### SUMMARY

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

*The Audit and Governance Committee's areas of responsibility for Internal Audit include: -*

- a) to approve significant interim changes to the internal audit plan and resource requirements;*
- b) to make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations;*
- c) to review updates on the work of internal audit including key findings, issues of concern and actions in hand as a result of internal audit work.*

#### 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.

## PROGRESS OF 2019/20 AUDIT PLAN

2. Work has commenced on 12/24 of the audits in the current internal audit plan. One of the audits is at **Stage 8** (updated draft report has been received by the in-house team after the exit meeting with the client), 2 are at **Stage 5** (first draft of the report has been received by the Support Officer to be reviewed) and a further six are at **Stage 4** (the auditor has started to deliver the agreed scope of work).

## FINALISING PREVIOUS AUDIT PLANS

3. The current status of the 14 audits remaining from the previous Audit Plans is detailed in Appendix One. Two further audits have now been finalised and work has continued on a further four to get these audits to completion, one of which is now at **Stage 9** (draft report issued to the service after exit meeting held).

## FINDINGS FROM COMPLETED AUDITS

4. The 2 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
Cloud Based Computing 2018/19	Limited	4	4	-
ICT Follow up	N/A	2	2	4

5. Detail of the areas covered, recommendations made and the actions to be taken is provided in Appendix Three.

## RISK ASSESSMENT

6. There are a few risk considerations in relation to this report, arising from the audit that has only been given limited assurance. Details of the risks are given in Appendix Three.

### Appendices:

**Appendix One** - Update on Outstanding Audits from Previous Plans

**Appendix Two** - Results of Planned Assignments 2019/20

**Appendix Three** - Findings from the Latest Completed Audits

**Appendix Four** – Reference Tables (with updated changes to audit stages)

**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

Report by the Head of Finance and Audit to the Audit and Governance Committee on 18 March 2018 on the Internal Audit Plan 2018/19

**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	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel	Errors Found? Y/N	New Recommendations			Previous Recs. (E and I only)			
						Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implemented
2014/15												
2014/15												
Information Governance Opinion	5	6				-						
Contract Completion	5	10				-						
2015/16												
Land Charges	5	12										
2016/17												
Daedalus Operating Contracts	5	12										
<b>Cloud based Computing (revised audit 2018/19)</b>	10	15	Limited	No prev audit	N	4	4	1	-	-	-	-
Leaseholder Charges	5											
Building Health and Safety Risks	5											
2017/18												
Commercial Estates	5	15										
Risk Inspections of Public Areas	4											
2018/19												
Out of Hours Service	5	12										
Write Offs History Analysis & Interest charges	9											
Housing Options Debtors (EXTRA)	4											
<b>Review of outstanding IT audit recommendations</b>	10	10	N/A	N/A	N	2	2	-	12	16	1	3
Review of all other outstanding audit recommendations	1											

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





Audit Title	Stage reached of 10*	Days in Plan	Assurance Opinion	Direction of Travel	Errors Found? Y/N	New Recommendations			Previous Recs. (E and I only)			
						Essential	Important	Advisory	Implemented	Cancelled	In Progress	Not Implemented
WIDER WORK												
Annual Testing of Procurement decisions	Not Started											
Contract Management	Not Started											
Disabled Facilities Grants – Grant Certification 2018/19	4											
Deceased Persons List	4											
Assurance on Partnership Governance	Not Started											
Anti-Bribery Policy	Not Started											
Totals												

Finding from the Latest Completed Audits

<b>Audit Title</b>	<b>Cloud</b>	<p><b>Overview of Subject:</b></p> <p>Migrating to a primarily Cloud based approach to ICT is a key industry and sector trend. At a high level the benefits are well understood; from an IT perspective much of the ‘technical’ work involved in commissioning, supporting and maintaining ICT hardware and software moves to third parties, reducing the need to maintain these skills in-house; for the wider organisation Cloud is a transformative technology, improving resilience and enabling more flexible, location independent working.</p> <p>Fareham are broadly in-line with other councils on the Cloud ‘journey’. In line with ICT and sector trends and good practice the Council is in the process of migrating to a primarily cloud-based software and infrastructure portfolio. Email hosting in the Cloud is substantively in place and document storage is in progress. The only core system currently in the Cloud is the income management system but two more systems for Housing and Finance are likely to move to the Cloud as a result of current procurement processes.</p>
<b>Year of Audit</b>	<b>2018/19 to replace draft report in 2016/17</b>	
<b>Type of Work</b>	Opinion audit	
<b>Assurance Opinion Given</b>	<b>Limited</b>	
<b>Direction of Travel</b>	No previous audit	

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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
Strategy/Benefits			2	-	-	-	-	-
Governance			(1 included above)	-	-	-	-	-
Roadmap			(1 included above)	-	1	-	-	-
Roles			-	1	-	-	-	-
Communications			1	-	-	-	-	-
Risk Management			-	1	-	-	-	-
Contracts			1	1	-	-	-	-
ICT Disaster Recover Plans			-	1	-	-	-	-

**Weaknesses identified during the audit and the proposed action (Essential and Important only)**

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Essential x2</b>	<b>Strategy Milestones and Road Map</b> – The Council’s Cloud plans are not documented in a ‘formal’ Strategy but there are documents detailing high-level intentions and priorities supported by detailed infrastructure analyses and some indicative costings. However, this could be strengthened by developing a phased five-year plan of key milestones which enables progress to be managed, supported by a five-year financial plan, covering both costs (developing as these are better understood) and potential savings. The finance business partner should be integral to the development of the costs (including knock on costs) and saving projections.
<b>Essential</b>	<b>Communication with Services</b> – Service areas do not have a clear understanding of what Cloud is, specifically ‘intentions, timescales, benefits and expectations’ and when these are likely to come into effect, both in relation to corporate systems and in relation to core systems used by specific services. A number of actions have been agreed on how to engage with the services including developing plans and timescales for the core service applications.
<b>Essential</b>	<b>Contract with Income Management system provider</b> – A number of issues were identified with the current contract documents with the income management system provider and the cloud solution. Further documents need to be requested and a meeting held between IT and the lead service to agree performance expectations and check these for coverage in the agreement.
<b>Important x2</b>	<b>Clarification of IT and Service Role</b> – There is not a consistent understanding of ‘roles’, specifically the division between ‘service’ and ‘technical’ responsibilities between all service areas and ICT when moving to cloud solutions. IT need to be fully involved in ensuring that the technical requirements necessary to support service needs are correctly specified in contracts/SLAs (this may require training). As services move to the Cloud, ICT need to continue being involved, for example by attending regular contract meetings with providers and review of performance information, to ensure that providers are held to the level of service specified in contracts/SLAs. This should be introduced now for the Income Management system.
<b>Important</b>	<b>Consideration of Risks</b> – Currently only the 14 Cloud Principles checklist from the National Cyber Security Centre (NCSC) are routinely used when considering a cloud-based approach, along with carrying out Data Protection Impact Assessments. It is important that the full breadth of risk linked to moving to a Cloud based approach are considered, including resilience, availability/performance, interoperability and supplier failure, to ensure that appropriate mitigations are in place.
<b>Important</b>	<b>Disaster Recovery Plan</b> - Once ICT’s role regarding Cloud hosted applications is better understood the IT Disaster Recovery Plan should be updated to reference these accordingly.

<b>Audit Title</b>	<b>ICT Follow up</b>	<b>Overview of Subject:</b> This audit covers the follow up of recommendations previously made in relation to ICT systems in previous years. As at 9 <sup>th</sup> April 2019 there were 113 recommendations on the audit recommendation database relating to IT systems across the Council, which were awaiting sign off by internal audit. An audit was therefore added to the 2018/19 audit plan to obtain an updated status for a proportion of these. 32 (2 essential and 30 important) were selected mainly on the basis that they needed specialised computer audit knowledge in order to form an opinion. This represented 30% of the recommendations that need reviewing. 12 of these recommendations had previously been reported by the services as implemented.
<b>Year of Audit</b>	<b>2018/19</b>	
<b>Type of Work</b>	Computer Follow Up	

The recommendations selected cover the following IT services and systems:

<i>Audit</i>	<i>Year of Audit</i>	<i>Report No.</i>	<i>Number of Actions Followed Up</i>
<b>Disaster Recovery</b>	2015/16	1074	5
<b>Document Management</b>	2010/11	885	3
<b>Remote Access</b>	2013/14	994	2
<b>Network Security</b>	2012/13	974	2
<b>Network Security</b>	2014/15	1043	3
<b>Server Virtualisation</b>	2010/11	873	2
<b>ICT Change Control</b>	2011/12	905	3
<b>Tensor System</b>	2016/17	1092	1
<b>Mitel System</b>	2012/13	972	1
<b>Chris 21 System</b>	2014/15	1021	2
<b>E-Financials System</b>	2013/14	1005	3
<b>AIM System</b>	2011/12	921	1
<b>Databox</b>	2008/09	785	1
<b>GIS System</b>	2012/13	973	3

#### **Implementation of Previous Recommendations**

The table below summarises the level of implementation found. 12/32 of the original recommendations are fully completed, including both essential recommendations, and all the recommendations relating to network security. A further 16 are no longer required or have been superseded leaving only 3 not started and one in nearly complete. Two of the not started and one superseded had previously been signed off as implemented by the service.

## Summary of the Implementation of the Recommendations Tested

Status	Essential (🚨)	Important (▲)	Unspecified	TOTAL
Complete	2	10		12
No Longer applicable		5		5
Nearly Complete		1		1
Not Started		3		3
Superseded by New recommendations		8		8
No Longer Tracked		3		3
<b>TOTAL</b>	<b>2</b>	<b>30</b>	<b>0</b>	<b>32</b>

### Weaknesses identified during the audit and the proposed action (Essential and Important only)

<b>New Essential</b>	<b>Schedule Regular Disaster Recovery Testing</b> - Disaster Recovery testing needs to be scheduled for all systems used in service areas, to support specific service functions. As part of rehearsals carried out Recovery Point and Recovery Time objectives should be agreed between IT and service areas. A 5-year rolling programme of testing is currently being introduced.
<b>New Essential</b>	<b>Accelerate Addressing High Risk Issues Raised by the Penetration Testing</b> The service is to agree the High-risk issues identified through Third-Party Penetration Testing, and add them to the in-house scanning software to be used monthly to check/track their status, with remedial work carried out as necessary
<b>New Important</b>	<b>Disaster Recovery – Key Contracts Mobile Phones</b> The Critical Systems and Lead Contacts' document needs to be expanded to include mobile phone numbers.
<b>New Important</b>	<b>Use of Documents Retention Reminders on the BPMS System</b> - The small number of BPMS users (< 10) need to have the retention period reminder functionality highlighted to them and be reminded to use it.
<b>Previous Important</b>	<b>Document Management (BPMS and HUB): Documented test scripts (not started):</b> The Document Management system should be considered for inclusion in the IT Disaster Recovery component of the business continuity exercises; if included any test scripts produced should be retained to support future recovery as appropriate.
<b>Previous Important</b>	<b>Tensor System: Review of Non FBC employees given access to the council offices (not started):</b> Reports to be developed to extract lists of active ID cards for tenants and Non FBC employees which can be distributed to named officers for review.
<b>Previous Important</b>	<b>E-Financials System: Define Maximum Data Loss and Time to Recover (not started):</b> A meeting should be scheduled between the E-Business Manager and IT, to identify and agree the recovery time and recovery point for the finance system, necessary to meet the Finance Team and Council's needs.
<b>Previous Important</b>	<b>GIS System: Restrict Access to Desktop Version (nearly complete):</b> Usage of the desktop system has been reduced by 60%, with further reductions in usage planned. A detailed tracking spreadsheet is being maintained.

## Reference Tables

### 1. Scale of Assurance Opinions

<b>Strong</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>Minimal</b>	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

<b>Essential</b>	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.
<b>Important</b>	A significant control weakness 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.
<b>Advisory</b>	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

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





# FAREHAM

## BOROUGH COUNCIL

### **Report to Audit and Governance Committee**

**Date:** 23 September 2019  
**Report of:** Head of Finance and Audit  
**Subject:** REVIEW OF WORK PROGRAMME

#### **SUMMARY**

This report reviews the current work programme for the Committee.

#### **RECOMMENDATION**

It is recommended that the Committee approve the work programme for the rest of the municipal year, as shown in Appendix A to this report.

## **INTRODUCTION**

1. This report brings the latest work programme for review by the Committee.

## **WORK PROGRAMME 2019/20**

2. The progress on the work programme for the year is shown in Appendix A. This shows the reports expected in relation to each of the functions of the Committee along with an update on the delivery of the programme.
3. There have been three changes to the programme, as follows:
  - a) As agreed at the July 2019 committee, an additional item has been added to the November committee, to receive a briefing by members of IT services, on the management of cyber security risk at the Council. This will be a closed session but open to all members.
  - b) The three-yearly review of the counter fraud and corruption policy originally planned for November will be postponed to 2020/21 to make way for this item.
  - c) As the new Procurement and Contract Procedure Rules will have been in place for a year, an extra report reviewing the first year of implementation will be presented at the March 2020 meeting.

## **RISK ASSESSMENT**

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

## **CONCLUSION**

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

**Appendices:** Appendix A – Audit and Governance Committee Work Programme 2019/20 as at September 2019.

**Background Papers:** None

**Reference Papers:** Report to the Audit and Governance Committee – 11 March 2019 - Annual Report of the Committee

## **Enquiries:**

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

## WORK PROGRAMME FOR 2019/20

Committee Function and Report Subject		Frequency	Last Covered	July 2019	September 2019	November 2019	March 2020
<b>COMMITTEE WORKING ARRANGEMENTS</b>							
Review of Work Programme and training plan		Quarterly	2019-20	Completed	Completed	YES	YES, and Annual Report
Review of the Functions of the Committee		3 yearly	2016-17		Completed		
Review of the Constitution		Annual	2018-19			YES	
<b>ETHICAL FRAMEWORK AND STANDARDS</b>							
Standards of Conduct	Review of Code of Conduct for Members	As needed	2015-16				
	Review of member / officer protocol	As needed	2008-09				
	<b>Overview of Complaints against the Council</b>	Annual	2018-19		Completed		
Member Training and Development	Review of Members Training and Development Programme	As needed	2015-16				
<b>GOVERNANCE FRAMEWORK</b>							
Framework	Local Code of Corporate Governance	As needed	2016-17				
	<b>Annual Governance Statement</b>	Annual	2019-20	Completed			
Key Policy	<b>Review of Financial Regulations</b>	3 yearly	2018-19		Completed		
	<b>Review of Contract Procedure Rules</b>	3 yearly	2018-19		Some changes included in report above		<b>EXTRA – First year review</b>
	<b>Treasury Management Policy and Strategy</b>	Annual	2018-19			YES	<b>YES - Policy and indicators</b>
Risk Management	Policy	As needed	2016-17				
	<b>Risk Management Monitoring Reports</b>	6 monthly	2018-19		Completed		<b>YES</b>
	Business Continuity	3 yearly	2018-19				
	<b>Specific Risk Management topics</b>	As needed	None			<b>EXTRA – Closed session on Cyber security</b>	
Counter Fraud	<b>Counter Fraud Policy and Strategy</b>	3 yearly	2016-17			Postponed to 2020/21	

Committee Function and Report Subject		Frequency	Last Covered	July 2019	September 2019	November 2019	March 2020
	<b>Anti-Bribery Policy</b>	As needed	2011-12			YES	
	Sanctions and Redress Policy	As needed	2016-17				
	<b>Counter Fraud Annual Report</b>	Annually	2019-20	Completed			
<b>INTERNAL AUDIT ASSURANCE</b>							
	Internal Audit Strategy	3 yearly	2018-19				
	<b>Internal Audit Annual Plan</b>	Annual	2018-19				YES
	<b>Internal Audit Progress Report</b>	Quarterly	2019-20	Completed	Completed	YES	YES
	<b>Head of Audit's Annual Opinion</b>	Annual	2019-20	Completed			
<b>EXTERNAL ASSURANCE</b>							
	Update on Arrangements for Appointment of External Auditors	As needed	2018-19				
	<b>Annual Plan and Fee</b>	Annual	2018-19				YES
	<b>Annual Audit Letter</b>	Annual	2018-19		Completed		
	<b>Annual Certification Report</b>	Annual	2018-19			YES	
	Specific reports from inspection agencies	As needed	2018-19 (RIPA)				
<b>STATEMENT OF ACCOUNTS</b>							
	<b>Statement of Accounts</b>	Annual	2019-20	Completed			
	<b>External Audit – Audit Results Report</b>	Annual	2019-20	Completed			
<b>OTHER</b>							
	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				7	7	7	7