

# FAREHAM

BOROUGH COUNCIL

## AGENDA

### AUDIT AND GOVERNANCE COMMITTEE

**Date:** Monday, 23 March 2020

**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 25 November 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 Auditors Annual Plan and Fee (Pages 9 - 50)**

To consider a report by the Deputy Chief Executive Officer on the External Auditor's Annual Plan of work for 2020/21 and proposed Fee for the audit of the 2019/20 accounts.

**7. External Auditors Annual Certification Report (Pages 51 - 54)**

To consider a report by the Head of Housing and Benefits on the findings from the 2018-19 certification work carried out by the External Auditors (KPMG LLP).

**8. Treasury Management Strategy and Indicators (Pages 55 - 78)**

To consider a report by the Deputy Chief Executive Officer on the Treasury Management Policy and Strategy for 2020/21.

**9. Review of Members Training and Development Programme (Pages 79 - 98)**

To consider a report by the Head of Democratic Services on a review of Members training and development and determination of the programme.

**10. First Year Review of the New Procurement and Contract Procedure Rules (Pages 99 - 100)**

To consider a report by the Head of Finance and Audit reviewing the effectiveness of the recent changes to Contract Procedure Rules.

**11. Internal Audit Annual Plan (Pages 101 - 108)**

To consider a report by the Head of Finance and Audit on the Internal Audit Plan for 2020/21.

**12. Internal Audit Progress Report (Pages 109 - 132)**

To consider a report by the Head of Finance and Audit on the findings arising from the latest internal audit work to be finalised and the progress being made on delivering the internal audit plan for 2019/20.

**13. Annual Report of the Audit and Governance Committee (Pages 133 - 144)**

To consider the annual report by the Head of Finance and Audit on the work of the Audit and Governance Committee during 2019/20 and the proposed work programme for 2020/21.

**14. Exclusion of Public and Press**

To consider whether it is in the public interest to exclude the public and representatives of the press for this item on the grounds that the matter to be dealt with under item 15, Appendix E of the agenda involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act.

**15. Risk Management Monitoring Report (Pages 145 - 182)**

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



P GRIMWOOD  
Chief Executive Officer  
Civic Offices  
[www.fareham.gov.uk](http://www.fareham.gov.uk)  
13 March 2020

**For further information please contact:  
Democratic Services, Civic Offices, Fareham, PO16 7AZ  
Tel:01329 236100  
[democraticservices@fareham.gov.uk](mailto:democraticservices@fareham.gov.uk)**



# FAREHAM

BOROUGH COUNCIL

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

**Date:** Monday, 25 November 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 T L Ellis and J G Kelly

**Also Present:** I Bastable, J S Forrest, S Cunningham and Mrs K K Trott (for Item 7)



**1. APOLOGIES**

An apology of absence was received from Councillor Mrs C Heneghan.

**2. MINUTES**

RESOLVED that the Minutes from the Audit and Governance Committee meeting held on the 23 September 2019 be confirmed and signed as a correct record.

**3. CHAIRMAN'S ANNOUNCEMENTS**

There were no announcements made at this meeting.

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

There were no declarations of interest made at this meeting.

**5. DEPUTATIONS**

There were no deputations made at this meeting.

**6. EXCLUSION OF PUBLIC AND PRESS**

RESOLVED that in accordance with the Local Government Act 1972 the Public and Press were excluded, as the Committee considered that it is not in the public interest to consider the matter in public on the grounds that the presentation on Cyber Security will disclose exempt information, as defined in Paragraph 3 of Part 1 of the schedule 12A of the Local Government Act.

**7. RISK MANAGEMENT - CYBER SECURITY**

The Committee considered a confidential presentation on the Council's Cyber Security Risks Management arrangements delivered by the Technical Infrastructure Manager.

At the invitation of the Chairman Councillors I Bastable, Mrs K Trott, J Forrest S Cunningham joined in discussions on this item.

RESOLVED that the Committee noted the contents of the presentation.

**THE MEETING CONTINUED IN PUBLIC SESSION**

**8. TREASURY MANAGEMENT PROGRESS REPORT**

The Committee considered a report by the Deputy Chief Executive Officer which sets out the mid-year review of the treasury management activity up to 30 September 2019.

RESOLVED that the Committee notes the contents of the report.

## **9. CONSTITUTION ANNUAL REVIEW**

The Committee considered a report by the Deputy Monitoring Officer which provided the annual review of the Council's Constitution.

The Committee discussed the Standing Orders with Respect of Meetings and asked for clarification regarding Standing Order 14. The Committee asked for more details on the procedure for giving notice of a Motion to Council and also the process to enable Members to request an item to be considered at one of the Council's Committees or Scrutiny Panels. The Deputy Monitoring Officer explained the procedure to Members and the difference between Council and Executive Functions. The Committee asked that a diagram be circulated to assist Members with this process.

The Chairman requested that an item be added to the Committee's March 2020 meeting agenda, on Members rights to request that an item be considered at a meeting which falls within the Council's Committee Structure.

RESOLVED that the Committee: -

- (a) notes the contents of the report;
- (b) requested that an item be added to the March 2020 agenda, on Members rights to request that an item be considered at a meeting which falls within the Council's Committee Structure.
- (c) agrees the amendments to the Standing Orders with Respect to Meetings as set out in Appendix B;
- (d) agrees the amendments to the Scheme of Delegation to Officers as set out in Appendix C;
- (e) agrees the deletion of the Part 3 – Chapter 12 – Deputation Scheme; and
- (f) recommends the amendments at (c), (d) and (e) to Council for approval.

## **10. INTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report by the Head of Finance and Audit on Internal Audit Progress for 2019/20.

The Committee again raised concerns with regards to the outstanding audits on this year's plans. The Committee suggested that the Head of Finance and Audit consider closing off some of the audits that she is confident she has enough assurance to form an opinion. The Chairman requested that when this report is brought back to the Committee in March, work has been done to investigate those audits which can now be closed, without being fully completed, with a brief rationale to explain why for each audit.

RESOLVED that the Committee: -

- (a) notes the Internal Audit's progress for 2019/20 to date; and
- (b) request that when this report is brought back to the Committee in March, work has been done to investigate those audits which can be closed without being fully completed, with a brief rationale to explain why for each audit.

## **11. REVIEW OF WORK PROGRAMME**

The Committee considered a report by the Head of Finance and Audit which reviews the Committee's Work Programme for 2019/20.

RESOLVED that, with the addition of an item being added to the March 2020 meeting, on Members rights to request an item be considered at a meeting which falls within the Council's Committee Structure, the Committee's Work Programme for 2019/20, be approved.

(The meeting started at 6.00 pm  
and ended at 7.45 pm).



# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 March 2020  
**Report of:** Deputy Chief Executive Officer  
**Subject:** EXTERNAL AUDITORS ANNUAL PLAN & FEE

#### SUMMARY

This report brings to members' attention the proposed Audit Plan from the Council's external auditors, Ernst & Young. The plan provides the Committee with a basis to review the proposed audit approach and scope of work for the 2019/20 audit (carried out in 2020/21) and to ensure that the work is in line with members' expectations.

The report also brings to members' attention the Planned Fee for the 2019/20 audit work. This reflects the tender sums submitted as part of the procurement organised by Public Sector Audit Appointments (PSAA) in 2017/18 to appoint the Council's external auditors for the next 5 years.

*The Audit and Governance Committee's areas of responsibility for External Audit are: -*

- a) 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) to comment on the scope and depth of external audit work and to ensure it gives value for money.*
- c) to consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.*
- d) to advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.*

#### RECOMMENDATION

It is recommended that the Committee approves the 2019/20 Audit Plan, attached as Appendix A to this report.

**Appendices:**

Appendix A – Plan of Audit coverage of the year ending 31 March 20

**Background Papers:** None

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

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

Fareham Borough  
Council  
Audit planning report  
Year ended 31 March 2020

February 2020



Members of the Audit and Governance Committee

Fareham Borough Council  
Civic Offices  
Civic Way  
Hampshire  
PO16 7AZ

26 February 2020

Dear Audit and Governance Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

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

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

We welcome the opportunity to discuss this report with you on 23 March 2020 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit and Governance Committee and management of Fareham Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee, and management of Fareham Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Fareham Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



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# Overview of our 2019/20 audit strategy



# Overview of our 2019/20 audit strategy

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

## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus.	Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Our judgement is the significant risk at the Council relates to the improper capitalisation of revenue expenditure.
Misstatements due to fraud or error	Fraud risk	No change in risk or focus.	As identified in ISA240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We identify and respond to this risk on every engagement.
Pension Liability Valuation	Inherent risk	No change in risk or focus.	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council. The Council's pension fund liability is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. In 2018/19, late changes were required to disclosures in the financial statements arising from the McCloud legal judgement. Whether there is any further change is not yet known, but the assumptions made will remain a key focus.

# Overview of our 2019/20 audit strategy

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

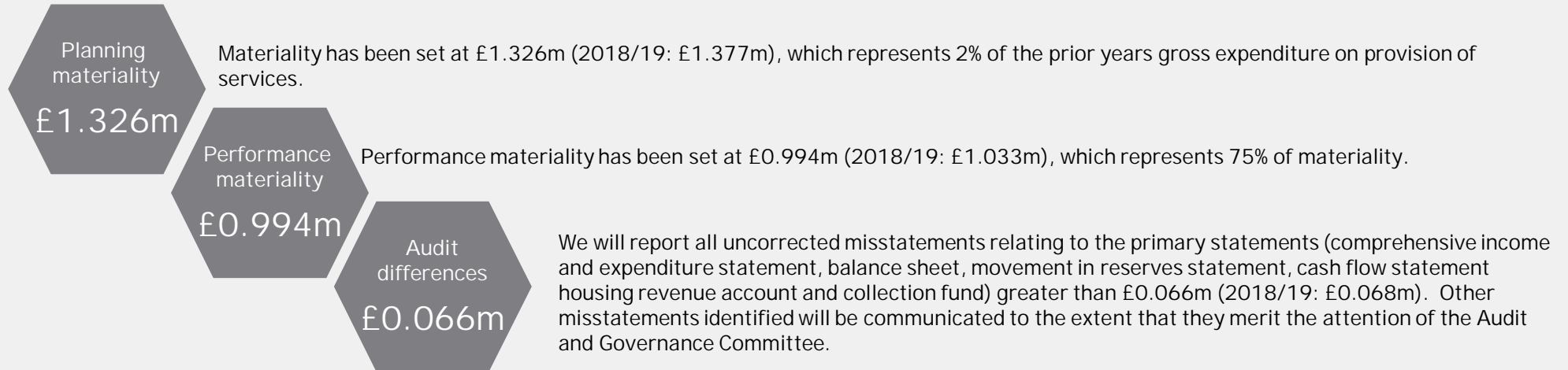
## Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Land and Buildings	Inherent risk	No change in risk or focus.	The value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
NDR Appeals Provision Valuation	Inherent risk	No change in risk or focus.	The Non Domestic Rates Appeals Provision is a material balance in the financial statements which requires a number of assumptions and judgements.
IFRS 16 Leases	Inherent risk	New risk identified this year.	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</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>The Authority will need to consider whether disclosures are required under IAS8 in relation to the 2019/20 financial statements.</p>



# Overview of our 2019/20 audit strategy

## Materiality



# Overview of our 2019/20 audit strategy

## Audit scope

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

- Our audit opinion on whether the financial statements of Fareham Borough Council give a true and fair view of the financial position as at 31 March 2020 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

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

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

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

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to assess independently the risks associated with providing an audit opinion, and to undertake appropriate procedures in response to that assessment. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditor's assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit, with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9, 15 and 16 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these are relevant in the context of Fareham Borough Council's audit, we will discuss these with management as to the impact on the scale fee.



# 02 Audit risks



## Our response to significant risks

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

	What is the risk?	What will we do?
<p>Inappropriate capitalisation of revenue expenditure</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. This would result in funding expenditure that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.</p> <p>The manipulation of capitalising expenditure could occur through management override of controls.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>• Journals testing – we will use our testing of journals to identify transactions moved from revenue to capital.</li> <li>• For significant additions we will examine invoices, capital expenditure authorisations, leases and other data that support these additions. We review the sample selected against the definition of capital expenditure in IAS 16.</li> </ul>
<p><b>Financial statement impact</b></p> <p>Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts. We are focussing our testing on capital additions (£5.7m in 2018/19).</p>		

## Our response to significant risks

Misstatements due to fraud or error

### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

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.

### What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- Inquiry of management about risks of fraud and the controls put in place to address those risks.
- Understanding the oversight given by those charged with governance of management's processes over fraud.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Determining an appropriate strategy to address those identified risks of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements

## Other areas of audit focus

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

### What is the risk/area of focus?

#### Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £59.224m.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

In the prior year the 'McCloud' judgement impacted the estimate and resulted in an amendment of the net pension liability. We anticipate this will again be a key assumption in estimating the pension liability. We would expect the Authority's actuary to be basing their assumptions taking into account the Authority's specific membership profile and how it has been impacted by the judgement. We also note that there may be further developments in this area, potentially again coming after the balance sheet date.

### What will we do?

We will:

- Liaise with the auditors of Hampshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Hampshire County Council.
- Assess the work of the Pension Fund actuary (AON Hewitt) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

## Other areas of audit focus

### What is the risk/area of focus?

#### Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

### What will we do?

#### We will:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre) and challenge the key assumptions used by the valuer;
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE.
- Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated; and
- Test accounting entries have been correctly processed in the financial statements.

#### NNDR Appeals Provision

The Non Domestic Rates Appeals Provision is a material balance in the financial statements which requires a number of assumptions and judgements. In addition, in prior years we have identified errors above our audit differences threshold.

#### We will:

- Review the calculation of the provision for accuracy.
- Consider the work performed by the Council expert, Analyse Local and understand the assumptions used in their calculation.
- Perform post year-end review of appeals settled to determine whether the revised rateable value and effective date of the appeal are in line with the provision.
- Ensure the Council has amended the provision for any Business Rate reliefs awarded.

## Other areas of audit focus

### What is the risk/area of focus?

#### IFRS 16 Leases

is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.

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.

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.

The Authority will need to consider whether disclosures are required under IAS8 in relation to the 2019/20 financial statements.

### What will we do?

Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.

Although no operating leases as lessee is recorded in the 2018/19 audited accounts, it is clear is that the Authority will need to undertake a detailed exercise to identify all leases and capture the relevant information for the production of financial statement information. The Authority must therefore ensure that all lease arrangements are fully documented and they have the relevant information to draft the required disclosures in the 2019/20 financial statements, and to support the full implementation of the standard in the 2020/21 year.

We will:

- review the Authority's process for detailed identification and review of the leases it holds;
- Where operating leases as lessee are not identified, challenge the completeness of information recorded to ensure there is no impact on compliance with IFRS 16; and
- Ensure appropriate disclosures are recorded in the 2019/20 financial statements.





03

## Value for Money Risks





## Background

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

For 2019/20 this is based on the overall evaluation criterion:

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

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

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

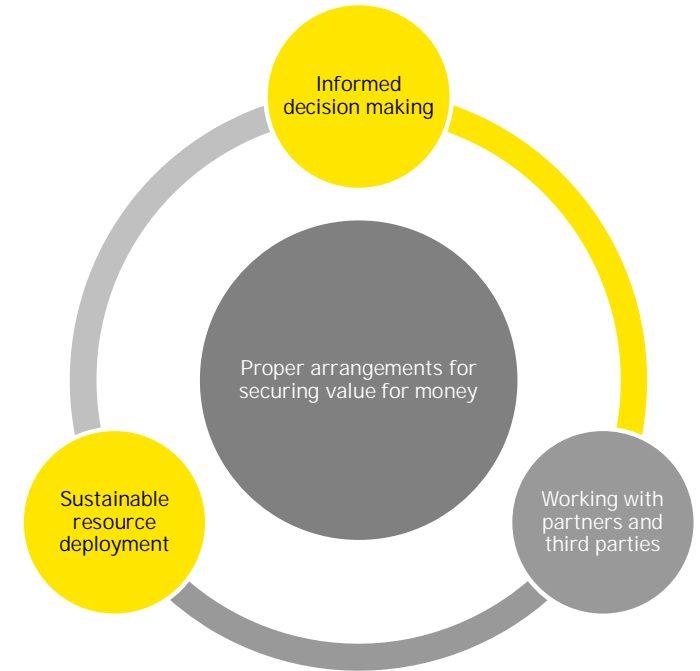
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

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

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

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level.

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





04

# Audit materiality

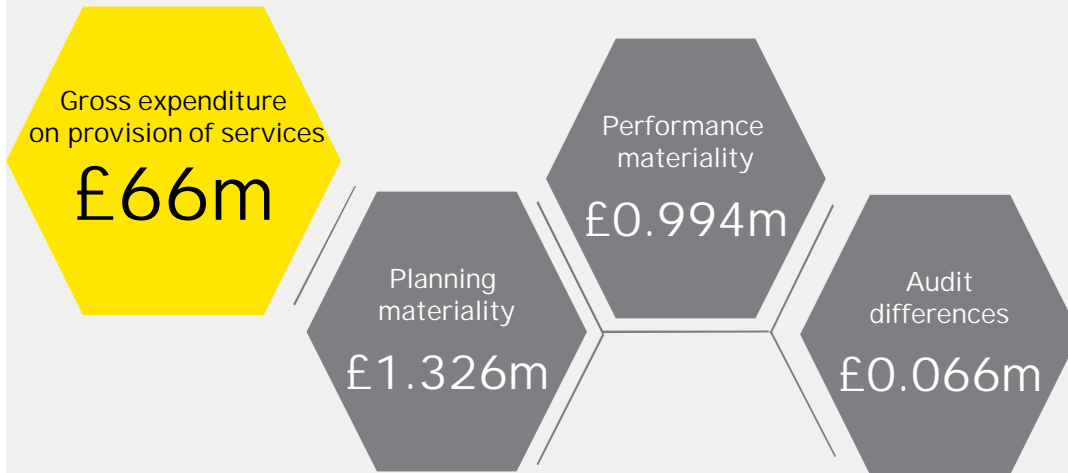


# Materiality

## Materiality

For planning purposes, materiality for 2019/20 has been set at £1.326m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

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

## Key definitions

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

**Performance materiality** – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.994m which represents 75% of planning materiality

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

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



05

# Scope of our audit



## Our Audit Process and Strategy

### Objective and Scope of our Audit scoping

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

We issue an audit report that covers:

#### 1. Financial statement audit

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

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

#### Procedures required by standards

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

#### Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

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

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

## Our Audit Process and Strategy (continued)

### Audit Process Overview

Our audit involves:

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

For 2019/20 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

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

Internal audit:

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

## Our Audit Process and Strategy (continued)

### Earlier deadline for production of the financial statements

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

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

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

To mitigate this risk we will require:

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

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

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

To support the Council we will continue to:

- Work with the Council to engage early to facilitate early substantive testing where appropriate.
- Work with the Council to improve the use of EY Client Portal, streamlining our requests in accordance with feedback and suggestions from the prior year.





06

Audit team



# Audit team

Audit team structure:

Kevin Suter  
Associate Partner\*

Jason Jones  
Manager

Shannon Phillips  
Senior

Specialists (as required)

- EY Real Estates
- Actuaries

\* Key Audit Partner

## Use of specialists

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

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team
Pensions disclosure	EY Actuaries

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

Page 35 We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

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



# 07 Audit timeline





# Audit timeline

## Timetable of communication and deliverables

### Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20. The final timetable will depend on our ability to obtain sufficient, appropriate audit evidence to support our audit opinion

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

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



08

Independence



## Introduction

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

### Required communications

#### Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard

#### Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

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

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

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

## Relationships, services and related threats and safeguards

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

### Overall Assessment

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

### Self interest threats

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

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

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

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

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

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

### Self review threats

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

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

### Management threats

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

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



## Relationships, services and related threats and safeguards

### Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.  
There are no other threats at the date of this report.

## Other communications

### EY Transparency Report 2019

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2019 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2019>



09

Appendices



## Fees

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

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£
Total Fee - Code work (1) (2)	37,137	37,137	38,265
<b>Total audit</b>	<b>37,137</b>	<b>37,137</b>	<b>38,265</b>
Other non-audit services not covered above (Housing Benefits) (2)	n/a	n/a	N/A
<b>Total other non-audit services</b>	<b>n/a</b>	<b>n/a</b>	<b>N/A</b>
<b>Total fees</b>	<b>37,137</b>	<b>37,137</b>	<b>38,265</b>

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All fees exclude VAT

Note:

(1) Our 2019/20 Code work includes additional planned procedures highlighted in section two of this report to address the new accounting requirements of IFRS 16 Leases. As at the date of our planning report the Council's preliminary assessment of the impact of this new standard is that there will not be a material impact as Council has no operating leases as lessee. We expect to perform some additional procedures on the completeness of this assessment. Any scale fee variation will be agreed with management and also subject to agreement by the PSAA.

(2) Our 2018/19 final fee includes £746 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. It also includes £382 for work undertaken on aspects of housing benefit income and expenditure which would previously have been performed as part of HB certification. This has been done separately in 2018/19 as we are no longer the HBAP reporting accountant. The proposed additional fees are subject to agreement with PSAA.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The production of materially accurate draft accounts
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

The outline timetable on page 27 is contingent on the above factors

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

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



## Appendix B

# Required communications with the Audit Committee



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





Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit planning report
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report

## Required communications with the Audit Committee (continued)

Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	Audit results report
Misstatements	<ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Corrected misstatements that are significant</li> <li>• Material misstatements corrected by management</li> </ul>	Audit results report
Fraud	<ul style="list-style-type: none"> <li>• Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• A discussion of any other matters related to fraud</li> </ul>	Audit results report
Related parties	<ul style="list-style-type: none"> <li>• Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</li> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report



## Required communications with the Audit Committee (continued)

Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Audit Planning Report</p> <p>Audit Results Report</p>
External confirmations	<ul style="list-style-type: none"> <li>• Management's refusal for us to request confirmations</li> <li>• Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	<p>Audit results report</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>• Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>• Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of</li> </ul>	<p>Audit results report</p>
Internal controls	<ul style="list-style-type: none"> <li>• Significant deficiencies in internal controls identified during the audit</li> </ul>	<p>Audit results report</p>

## Appendix B

# Required communications with the Audit Committee (continued)

### Our Reporting to you

Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report
Fee Reporting	<ul style="list-style-type: none"> <li>Breakdown of fee information when the audit plan is agreed</li> <li>Breakdown of fee information at the completion of the audit</li> <li>Any non-audit work</li> </ul>	Audit planning report Audit results report

## Additional audit information

### Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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



## Additional audit information (continued)

### Purpose and evaluation of materiality

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

Materiality determines:

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

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



# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 March 2020

**Report of:** Head of Housing and Benefits

**Subject:** EXTERNAL AUDITOR'S ANNUAL CERTIFICATION REPORT

#### SUMMARY

This report presents the findings from the Housing Benefit Subsidy Certification work carried out by External Auditors (KPMG) in respect of 2018/19. This is first year that this work was undertaken by KPMG.

*The Audit and Governance Committee's areas of responsibility for External Audit include considering the external auditor's annual letter, relevant reports, and the report to those charged with governance.*

#### RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee:

- a) consider the findings of the Annual Certification Report 2018/19 submitted to the Department for Work and Pensions by the Council's external auditors; and
- b) comment on the findings as appropriate.

## **INTRODUCTION**

1. Housing Benefit is a national social security benefit administered by local authorities on behalf of the Department for Work and Pensions (DWP). The DWP reimburse local authorities for the cost of administering Housing Benefit through a system of subsidy payments, based on the subsidy claims submitted to the DWP by the local authorities.
2. The DWP require appropriately qualified reporting accountants to audit the subsidy claim and issue to them a report about the financial and legal probity of each local authority's Housing Benefit Service.
3. The reporting accountant is required to complete the assurance process in accordance with the instructions, tools and guidance supplied by the DWP. Testing of Housing Benefit cases is carried out on an initial sample of 20 cases per benefit type across the entire caseload. More extensive testing is undertaken if the initial testing identifies errors in the calculation of benefit or as a result of errors that have been identified in the audit of previous years' claims.

## **2018/19 HOUSING BENEFIT SUBSIDY CLAIM**

4. The amount of subsidy claimed by Fareham Borough Council for 2018/19 was £18,500,193. KPMG completed the assurance process detailed above and determined that there are no amendments required or matters of concern and therefore the amount of subsidy payable by the DWP is £18,500,193.

## **EXCEPTIONS/ERRORS FOUND**

5. The initial testing (20 cases per benefit type) across the entire caseload identified no errors.
6. A total of 275 cases were subject to additional testing as a result of errors found in the 2017/18 assurance process. This identified 1 case where the weekly earned income for a claimant was incorrectly assessed resulting in an overpayment of benefit totalling £97.00.

## **CONCLUSION**

7. Following receipt of the Housing Benefit Reporting Accountant (KPMG) final tested claim for 2018/19, the DWP have confirmed there are no outstanding issues relating to our claim. The claim has therefore been settled on this basis and the total amount of subsidy payable is £18,500,193.

**Background Papers:** Reporting accountant's report for the Housing Benefit Subsidy claim form MPF720A for the year ended 31 March 2019.

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

**Enquiries:**

For further information on this report please contact Caroline Newman. (Ext 4645)



# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 March 2020

**Report of:** Deputy Chief Executive Officer

**Subject:** TREASURY MANAGEMENT STRATEGY AND INDICATORS

#### SUMMARY

Regulations require the Council to prepare and formally approve an annual Treasury Management Strategy. The document for 2020/21, attached as Appendix A, was endorsed by the Executive on 3 February 2020 and submitted to Full Council for approval on 21 February 2020.

The main changes to this year's Strategy are:

- The removal of the capital prudential indicators which are now included within the Capital Strategy which was endorsed by the Executive on 6 January 2020 and approved by Full Council on 21 February 2020.
- Reference has been made to the 1% increase in the Public Works Loan Board (PWLB) long-term borrowing rates making it now a relatively expensive option. The Strategy has therefore been revised to say the Council will look to borrow from other sources (paragraph 31).
- The limit on the principal invested beyond year end has increased from £10 million to £15 million to reflect the increase in investments in long-term pooled funds (paragraph 41).
- The Debt Repayment Fund has been added to the Housing Revenue Account Ratios table (paragraph 45).
- The economic and interest rate forecast by the Council's treasury advisors has been updated as at December 2019 (paragraph 55 and appendix A). However, following the coronavirus outbreak, the Bank of England has now cut the Bank Rate to 0.25%.

*The Audit and Governance Committee's areas of responsibility for Treasury Management is to ensure effective scrutiny of the implementation of the Council's Treasury Management Strategy and Policy.*

## **RECOMMENDATION**

It is RECOMMENDED that the Committee note the Treasury Management Strategy and Prudential Indicators for 2020/21, attached as Appendix A to this report.

**Appendices: Appendix A:** Treasury Management Strategy and Investment Strategy 2020/21

**Background Papers:** None

### **Reference Papers:**

Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services 2017

CIPFA The Prudential Code 2017

Statutory Guidance on Local Government Investments issued under section 15(1)(a) of the Local Government Act 2003 from the Ministry of Housing, Communities and Local Government (MHCLG)

Template for Treasury Management Strategy and Investment Strategy 2020/21 provided by Arlingclose (the Council's current Treasury Advisers)

### **Enquiries:**

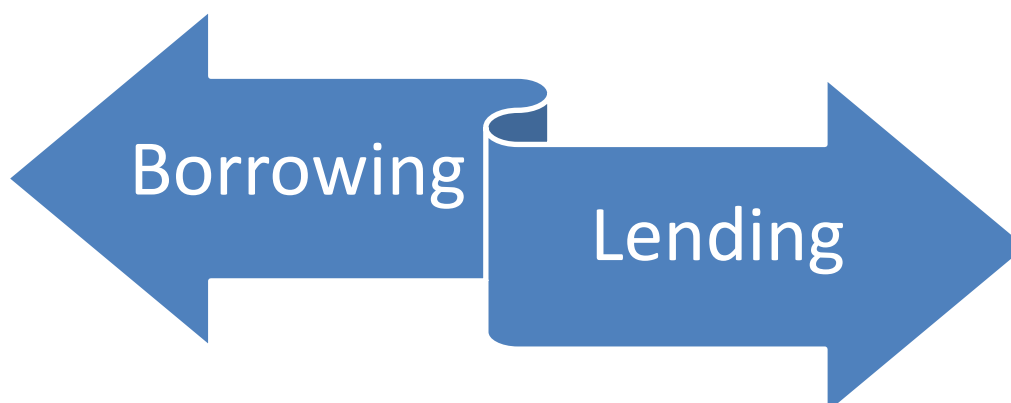
For further information on this report please contact Caroline Hancock (Ext 4589)



# FAREHAM

BOROUGH COUNCIL

## TREASURY MANAGEMENT STRATEGY AND INVESTMENT STRATEGY 2020/21





# INTRODUCTION

## WHAT IS TREASURY MANAGEMENT?

1. Treasury Management is defined as:

*The management of the organisation’s cash flows, its banking, money market and capital market transactions;*

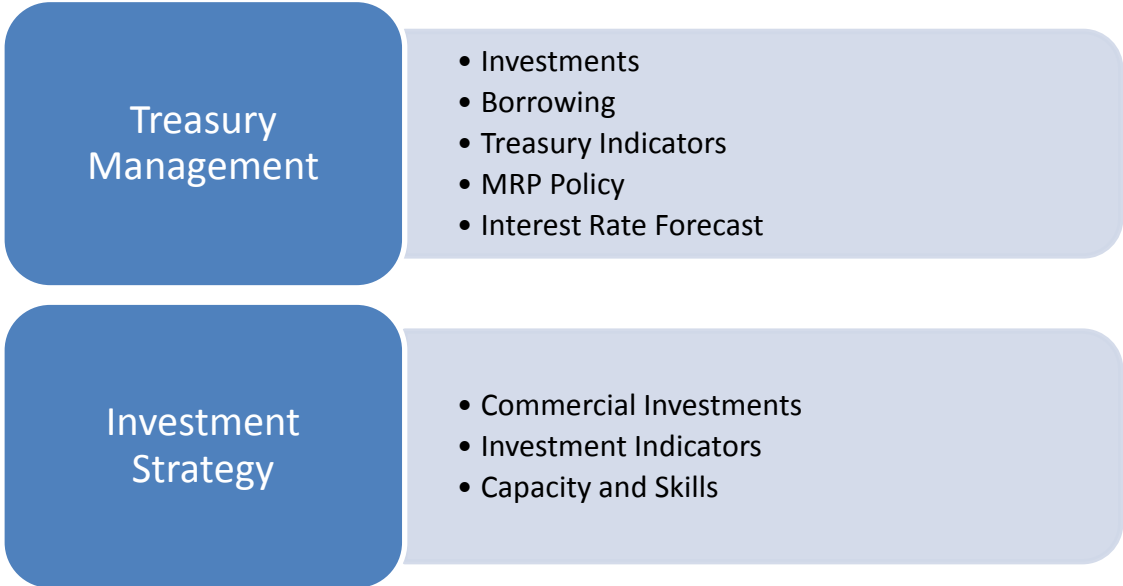
*the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.*

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

- a) To ensure the cash flow is adequately planned, with **cash being available when it is needed**. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council’s low risk appetite, providing adequate liquidity initially before considering investment return.
- b) To ensure the cash flow meets the Council’s **capital plans**. These capital plans provide a guide to the **borrowing need** of the Council. Essentially this is the longer term cash flow planning to ensure that the Council can meet its capital spending requirements. The management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

## CONTENT OF THE TREASURY MANAGEMENT AND INVESTMENT STRATEGIES

3. These strategies set out the expected approach to treasury management and investment activities for 2020/21. It covers two main areas:



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

## REPORTING REQUIREMENTS

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



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

# TREASURY MANAGEMENT STRATEGY

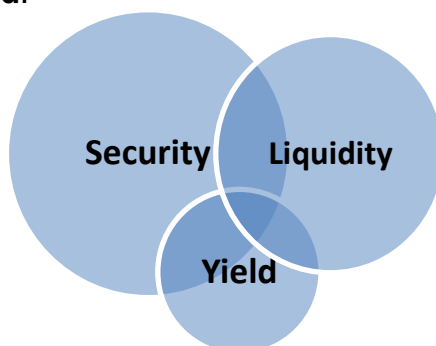
## INVESTMENTS

### Current Portfolio Position

7. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £12 million and £24 million, and similar levels are expected to be maintained in the forthcoming year.

### Treasury Investment Strategy

8. The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the **security** and **liquidity** of its investments before seeking the highest rate of return, or **yield**.



9. The Council's objective when investing money is to strike an appropriate balance between **risk and return**, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
10. If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to **negative interest rates** on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
11. Given the increasing risk and very low returns from short-term unsecured bank investments, the Council where practical and reasonable, aims to further **diversify into more secure and/or higher yielding asset classes**. This is especially the case for the estimated £12m that is available for longer-term investment. The majority of the Council's surplus cash is currently invested in short-term unsecured bank deposits and money market funds.
12. Under the new IFRS 9 standard, the accounting for certain investments depends on the Council's **business model** for managing them. The Council aims to achieve value from its internally managed treasury investments by a business

model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

## Approved Counterparties

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

Credit Rating	Banks Unsecured	Banks Secured	Government
UK Govt	n/a	n/a	£Unlimited 50 years
AAA	£2m 5 years	£4m 20 years	£4m 50 years
AA+	£2m 5 years	£4m 10 years	£4m 25 years
AA	£2m 4 years	£4m 5 years	£4m 15 years
AA-	£2m 3 years	£4m 4 years	£4m 10 years
A+	£2m 2 years	£4m 3 years	£2m 5 years
A	£2m 13 months	£4m 2 years	£2m 5 years
A-	£2m 6 months	£4m 13 months	£2m 5 years
BBB+	£1m 100 days	£2m 6 months	£1m 2 years
None	£1m 6 months	n/a	£4m 25 years
<b>Pooled Funds</b>	£4m per fund		

14. Investment limits are set by reference to the lowest published **long-term credit rating** from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
15. Summary of counterparty types:
- Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.
  - Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-

in. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

- c) **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- d) **Pooled Funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term **Money Market Funds** that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

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

## **Operational Bank Accounts**

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

## **Risk Assessment and Credit Ratings**

- 18. Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
  - no new investments will be made,

- any existing investments that can be recalled or sold at no cost will be, and
  - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
19. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

## **Other Information on the Security of Investments**

20. The Council understands that credit ratings are good, but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the Council treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above credit rating criteria.
21. The following **internal measures** are also in place:
- Investment and borrowing decisions formally recorded and endorsed using a Counterparty Decision Document.
  - Monthly officer reviews of the investment and borrowing portfolio and quarterly reviews with the Chief Executive Officer.

## **Investment Limits**

22. The Council’s revenue reserves available to cover investment losses are forecast to be £13 million on 31st March 2020. In order to minimise risk, in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be **£4 million**. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers’ nominee accounts, foreign countries and industry sectors as summarised in the table below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.



	<b>Cash limit</b>
Any single organisation, except the UK Central Government	£4m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£4m per group
Any group of pooled funds under the same management	£10m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£4m per country
Unsecured investments with Building Societies	£2m in total
Money Market Funds	£20m in total

## Liquidity Management

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

## BORROWING

### Current Portfolio Position

24. The Council's treasury position at 31 March 2019, with forward projections are summarised below.

<b>£'000</b>	<b>2019/20 Revised</b>	<b>2020/21 Estimate</b>	<b>2021/22 Estimate</b>	<b>2022/23 Estimate</b>
Debt at 1 April	45,510	60,510	72,510	83,510
Expected change in debt	15,000	12,000	11,000	0
<b>Gross Debt at 31 March</b>	<b>60,510</b>	<b>72,510</b>	<b>83,510</b>	<b>83,510</b>

25. Debt at 31 March 2020 is projected to be lower than estimated last year due to the use of internal borrowing rather than borrowing externally to fund the capital programme.

### Borrowing Strategy

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

objective.

27. Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
28. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short term to either **use internal resources**, or to **borrow short-term** loans instead.
29. By doing so, the Council can reduce net borrowing costs (despite foregone investment income) and **reduce overall treasury risk**. The benefits of internal borrowing or short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.
30. Our treasury advisers will assist the Council with this '**cost of carry**' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
31. The Council has previously raised all of its long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Council will now look to borrow any long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.
32. Alternatively, the Council may arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
33. In addition, the Council may borrow further short-term loans to cover unexpected cash flow shortages.

## Sources of Borrowing

34. The approved sources of long-term and short-term borrowing are:
  - Public Works Loan Board (PWLB) and any successor body.
  - Any institution approved for investments.
  - Any other bank or building society authorised to operate in the UK.
  - Any other UK public sector body.
  - UK public and private sector pension funds (except the Hampshire County Council Pension Fund).
  - Capital market bond investors.
  - UK Municipal Bonds Agency plc (see below) and other special purpose

companies created to enable local authority bond issues.

35. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- Leasing
  - Hire purchase
  - Private Finance Initiative
  - Sale and leaseback
36. **Municipal Bonds Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.
37. **Short-Term and Variable Rate Loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.
38. **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.
39. **Borrowing Limits:** These have been set as part of the Capital Strategy for 2020/21.

## TREASURY MANAGEMENT INDICATORS

40. The Council measures and manages its exposures to treasury management risks using the following indicators.
41. **Principal sums invested for longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the year end will be:

£M	2019/20 Revised	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Limit on principal invested beyond year end	15	15	15	15

42. The limit has increased from last year by £5 million to reflect the increase in investments in long term pooled funds.

43. **Maturity structure of borrowing:** This treasury indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Maturity structure of borrowing	Upper Limit	Lower Limit
	%	%
- Loans maturing within 1 year	50	0
- Loans maturing within 1 - 2 years	50	0
- Loans maturing within 2 - 5 years	50	0
- Loans maturing within 5 - 10 years	50	0
- Loans maturing in over 10 years	100	100

44. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
45. **Housing Revenue Account (HRA) ratios:** As a result of the HRA Reforms in 2012, the Council moved from a subsidy system to self-financing and was required to take on **£49.3 million** of debt. The table below shows additional local indicators relating to the HRA in respect of this debt.

	2019/20 Revised	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
HRA Debt £'000	49,268	49,268	49,268	49,268
HRA Revenues £'000	12,338	12,668	13,019	13,361
Number of HRA Dwellings	2,391	2,400	2,407	2,445
Ratio of Debt to Revenues %	3.99:1	3.89:1	3.78:1	3.69:1
Debt per Dwelling £	£20,606	£20,528	£20,469	£20,151
Debt Repayment Fund £'000	£3,420	£4,560	£5,700	£6,840

## MINIMUM REVENUE PROVISION (MRP) POLICY STATEMENT

46. Where the Council finances capital expenditure by debt, it must **put aside resources to repay that debt** in later years. The amount charged to the revenue budget for the repayment of debt is known as **Minimum Revenue Provision (MRP)**.
47. The Council is required to set an annual policy on the way it calculates the prudent provision for the repayment of General Fund borrowing. The main policy adopted is that MRP will be determined by charging the expenditure over the **expected useful life** of the relevant assets on an **annuity basis** starting in the year after the asset becomes operational. This calculation will be reviewed on a case by case basis depending on the circumstances and with a view to minimising the impact on the council tax payer.
48. Where expenditure is on an asset which will be held on a short-term basis (up to 5 years), no MRP will be charged. However, the capital receipt generated by the

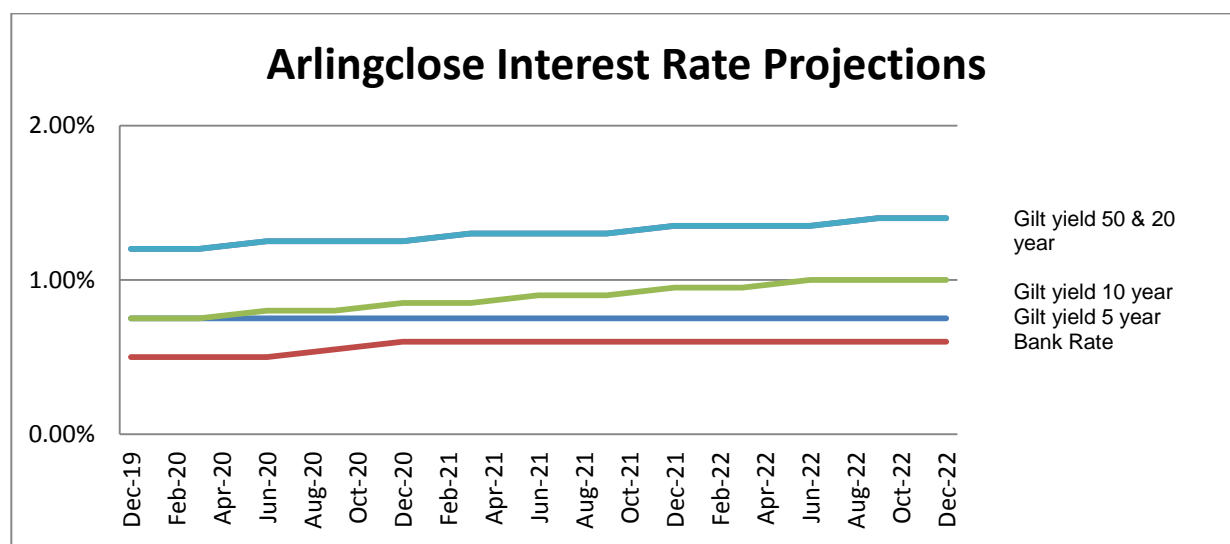
sale of the asset will be used to repay the debt instead.

49. No MRP will be charged in respect of assets held within the HRA, in accordance with MHCLG Guidance and capital expenditure incurred during 2019/20 will not be subject to a MRP charge until 2020/21.

## INTEREST RATE FORECAST

50. The Council's treasury management advisers assist the Council to formulate a view on interest rates. The latest detailed economic and interest rate forecast provided by Arlingclose is attached at Annex 1.

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



52. The Council's treasury management adviser Arlingclose is forecasting that Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the upcoming general election, the need for greater clarity on Brexit and the continuing global economic slowdown. The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

53. Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

## Other Items

54. The CIPFA Code requires the Council to include the following in its Treasury

## Management Strategy.

55. **Policy on Apportioning Interest to the HRA:** On 28 March 2012, the Council borrowed £40 million from the Public Works Loan Board (PWLB) to buy itself out of the HRA subsidy System. The monies were borrowed by the General Fund on behalf of the HRA. The interest on these loans is charged to the HRA on a half-yearly basis at the rate charged by PWLB. A further £9.268 million was lent by the General Fund to the HRA to complete the buyout. Interest on this element is charged at the average weighted rate of the PWLB loans.
56. The unfunded HRA capital financing requirement is also charged to the HRA at the average weighted rate of the PWLB loans.
57. The General Fund credits the HRA with interest earned on HRA credit balances calculated on the monthly movement in reserve balances and applied at year end. The rate used is the weighted interest rate on General Fund investments and cash balances.
58. **Markets in Financial Instruments Directive:** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

## Financial Implications

59. The budget for interest received in 2020/21 for the General Fund is £954,700 and the HRA is £114,000 and the budget for debt interest paid in 2020/21 is £259,000 for the General Fund and £1,794,900 for the HRA. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

## Other Options Considered

60. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller

Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

## INVESTMENT STRATEGY

61. The Council invests its money for three broad purposes:
- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
  - to support local public services by lending to or buying shares in other organisations (**service investments**), and
  - to earn investment income (known as **commercial investments** where this is the main purpose).
62. This investment strategy meets the requirements of statutory guidance issued by the Government in January 2018 and focuses on the third of these categories.
63. The Council does not currently have any service investments.

## COMMERCIAL INVESTMENTS

64. The Council invests in local and some regional UK commercial property with the intention of making a profit that will be spent on local public services.
65. Since the Executive approval of a Commercial Property Investment Acquisition Strategy in January 2013, the Council has purchased commercial investment properties currently valued at **£39.6 million**, as summarised below, averaging a return of **6.9%**.

Property Type	Purchase Cost £'000	Current Value £'000
Retail	28,515	26,850
Commercial	10,121	10,650
Other	1,890	2,050

<b>Total</b>	<b>40,526</b>	<b>39,550</b>
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66. The Council's total Commercial property portfolio, shown below, is valued at **£69.9 million** and includes Fareham Shopping Centre, Faretec and industrial estates at Palmerston Business Park and Newgate Lane.

<b>Property Type</b>	<b>Current Value £'000</b>
Retail	42,162
Commercial	18,411
Other	4,373
Office	3,759
Leisure	1,167
<b>Total</b>	<b>69,872</b>

67. In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.
68. A fair value assessment of the Council's more recent commercial property purchases has been made within the past twelve months, and the underlying assets provide security for capital investment. Should the 2019/20 year-end accounts preparation and audit process value these properties below their purchase cost, then an updated investment strategy will be presented to full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.
69. The Council assesses the risk of loss before entering into and whilst holding property investments. These risks are managed by ensuring:
- funds available for new purchases are disaggregated to limit the overall impact that any single investment would have on the Council's finances;
  - new purchases are only considered with existing tenants of "high quality" and sufficiently long tenancy term;
  - appropriate checks are carried out to ascertain the tenant's reliability;
  - other "due diligence" is undertaken to protect the Council's investment as far as possible such as checks on planning conditions, land contamination issues and planning policy issues.

## **Proportionality**

70. The Council is dependent on profit generating investment activity to achieve a balanced revenue budget. The table below shows the extent to which the expenditure planned to meet the service delivery objectives is dependent on achieving the expected net profit from investments over the lifecycle of the Medium Term Financial Strategy.



£'000	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
Gross service expenditure	44,754	47,851	48,342	48,975	49,174
Investment income	3,988	4,266	4,576	4,576	4,576
<b>Proportion</b>	<b>8.9%</b>	<b>8.9%</b>	<b>9.5%</b>	<b>9.3%</b>	<b>9.3%</b>

## INVESTMENT INDICATORS

71. The Council has set the following quantitative indicators to assess the Council's total risk exposure as a result of its investment decisions.
72. **Total risk exposure:** The first indicator shows the Council's total exposure to potential investment losses.

Total Investment Exposure	2018/19 Actual £'000	2019/20 Forecast £'000	2020/21 Forecast £'000
Treasury Management Investments	13,100	12,000	12,000
Commercial Investments	56,662	69,872	69,872
<b>Total</b>	<b>69,762</b>	<b>81,872</b>	<b>81,872</b>

73. **How investments are funded:** Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Investments Funded by Borrowing	2018/19 Actual £'000	2019/20 Forecast £'000	2020/21 Forecast £'000
Treasury Management Investments	0	0	0
Commercial Investments	18,412	31,997	31,242
<b>Total</b>	<b>18,412</b>	<b>31,997</b>	<b>31,242</b>

74. **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested.

Investments Net Rate of Return	2018/19 Actual	2019/20 Forecast	2020/21 Forecast
Treasury Management Investments	2.8%	3.4%	4.6%
Commercial Investments	6.1%	5.3%	6.2%
<b>Total</b>	<b>5.4%</b>	<b>5.0%</b>	<b>5.9%</b>

## **CAPACITY AND SKILLS**

### **Training**

75. The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.
76. Treasury management officers regularly attend training courses, seminars and conferences provided by the Council's treasury management advisers and CIPFA.
77. Property services officers also regularly attend training courses, seminars and conferences provided RICS (Royal Institution of Chartered Surveyors) accredited/approved providers.

### **Use of Treasury Management Consultants**

78. The Council has appointed Arlingclose as treasury management advisers and receives specific advice on investment, debt and capital finance issues.
79. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
80. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

## ARLINCLOSE ECONOMIC AND INTEREST RATE FORECAST DECEMBER 2019

### Economic Background

The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2020/21. The General Election has removed some uncertainty within the market, however following the expected Withdrawal Bill, uncertainties around the future trading relationship with the EU remain.

GDP growth rose by 0.4% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.1% from 1.2%. Services, construction and production added positively to growth, by 0.5%, 1.2% and 0.1% respectively, while agriculture recorded a fall of 0.1%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.

The headline rate of UK Consumer Price Inflation remained the same in November 2019 at 1.5% year-on-year, the same as October 2019, however continuing to fall from highs of 2.1% in July and April 2019 as accommodation services and transport continued to contribute to a level of inflation below the BOE target of 2%. Labour market data continues to be positive. The ILO unemployment rate continues to hold at historic lows at 3.8%, its lowest level since 1975. The 3-month average annual growth rate for pay excluding bonuses rose to 3.5% in November 2019 providing some evidence that a shortage of labour is supporting wages. However, adjusting for inflation this means real wages were only up by 0.9% in October 2019 and only likely to have a moderate impact on household spending.

Domestic inflationary pressures have abated, as domestic gas and electricity price freezes have taken effect until 2020. The price of oil has fallen through the year, despite a rise in prices in December 2019. The limited inflationary pressure from real wages will likely keep inflation below the Bank of England target of 2%. The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.

The US economy has continued to perform relatively well compared to other developed nations; however, the Federal Reserve has started to unwind its monetary tightening through 2019. The Federal Reserve has cut rates three times to 1.5% - 1.75%, to stimulate growth as GDP growth has started to fall (to 2.1%).

The fallout from the US-China trade war continues which, risks contributing to a slowdown in global economic activity in 2019. Recent suggestions have been an initial

compromise and potential unwinding of tariffs; however, this can change quickly. Slow growth in Europe, combined with changes in leadership at the ECB and IMF has led to a change of stance in 2019. Quantitative easing has continued and been extended.

## **Credit Outlook**

The recent Bank of England stress tests assessed all seven UK banking groups. The tests scenarios include deep simultaneous recessions in the UK and global economies that are more severe overall than the global financial crisis, combined with large falls in asset prices and a separate stress of misconduct costs. All seven banks passed the test on both a CET1 ratio and a leverage ratio basis. Major banks have steadily increased their capital for many years now. However, there are a number of shortcomings in the Bank's approach; timeliness as the results are over 11 months of out date when they are published, being based on end-2018 balance sheets; ringfencing, as the tests ignore the restrictions on transferring capital between ringfenced "retail" banks and non-ringfenced "investment" banks within the larger groups and; coverage – the tests should be expanded to cover a wider range of UK banks and building societies

The Bank of England will seek to address some of these issues in 2020, when Virgin Money/Clydesdale will be added to the testing group and separate tests will be included of ringfenced banks

Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers

Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable

## **Underlying assumptions**

- The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased.
- Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.
- Brexit has been delayed until 31 January 2020. While the General Election has maintained economic and political uncertainty, the opinion polls suggest the Conservative position in parliament may be strengthened, which reduces the chance of Brexit being further frustrated. A key concern is the limited transitional period following a January 2020 exit date, which will maintain and create additional uncertainty over the next few years.

- UK economic growth has stalled despite Q3 2019 GDP of 0.3%. Monthly figures indicate growth waned as the quarter progressed and survey data suggest falling household and business confidence. Both main political parties have promised substantial fiscal easing, which should help support growth.
- While the potential for divergent paths for UK monetary policy remain in the event of the General Election result, the weaker external environment severely limits potential upside movement in Bank Rate, while the slowing UK economy will place pressure on the MPC to loosen monetary policy. Indeed, two MPC members voted for an immediate cut in November 2019.
- Inflation is running below target at 1.7%. While the tight labour market risks medium-term domestically-driven inflationary pressure, slower global growth should reduce the prospect of externally driven pressure, although political turmoil could push up oil prices.
- Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

## **Forecast**

- Although we have maintained our Bank Rate forecast at 0.75% for the foreseeable future, there are substantial risks to this forecast, dependant on General Election outcomes and the evolution of the global economy.
- Arlingclose judges that the risks are weighted to the downside.
- Gilt yields have risen but remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.
- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.



# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 March 2020

**Report of:** Head of Democratic Services

**Subject:** REVIEW OF MEMBERS' TRAINING AND DEVELOPMENT PROGRAMME

#### SUMMARY

The Audit and Governance Committee is charged with monitoring the arrangements for members' training and development to ensure that the capacity of members to provide effective governance and community leadership continues to develop. This report outlines member training and briefing sessions in 2019/20, considers the draft training programme for 2020/21 and presents the New Member Induction Booklet for approval, with the opportunity for Members to make suggestions on items for inclusion.

*The Audit and Governance Committee area of responsibility for Standards is to: -  
(k) monitor and review members' training and development.*

#### RECOMMENDATIONS

It is RECOMMENDED that the Audit and Governance Committee: -

- (a) notes the content of the members' training and development schedule for 2019/20 as set out in appendix A;
- (b) agrees that the draft member's training and development schedule for each forthcoming municipal year will be approved at the last audit and governance committee of each municipal year;
- (c) notes the contents of the draft member's training and development schedule for 2020/21, at appendix B, and provides recommendations for additional items to be added;
- (d) approves the draft new members' induction booklet 2020 as set out in appendix C and makes recommendations for suggested additions to new member training; and
- (e) agrees the content of the new members' induction booklet is reviewed by the audit and governance committee every three years.

## **INTRODUCTION**

1. In November 2003 the Standards Committee Terms of Reference were revised to include responsibility for monitoring Members' training and development and it was agreed that the Committee would review the proposed programme of training annually to ensure it met Members' needs as well as undertaking an annual review of the range and quality of training and development.
2. In March 2013, the Audit and Governance committee recommended that a new approach to new member induction training be approved in a modular form to provide on-going support to new members.

## **THE STRATEGY**

3. The committee is reminded of the main provisions of the Council's training and development strategy which contributes to the Council's aims and objectives and underpins good practice.
4. The strategy aims to provide members with opportunities for developing a range of skills and a depth of knowledge which will equip them to fulfil their roles and provide effective community governance. It recognises that these skills and knowledge are developed through a variety of means, not just through formal training events. Thus, members skills and knowledge may be equally developed through informal arrangements such as personal reading and research, newsletters and briefing reports; interaction with other members, officers, constituents, joint working with other authorities and with partners; shadowing, coaching and mentoring.
5. The strategy recognises that in the main, members' development can be managed by the individual members themselves; however, in order to establish a development framework, an annual programme of training events which reflects more precisely the needs of all Councillors would be established. The individual needs of Councillors will be addressed wherever possible and a variety of development methods offered to suit the individual member.
6. The majority of knowledge-based training can be delivered in-house within existing budgets. Where externally led training does need to be provided, priority will be given to those topics which benefit several members but, budget permitting, lower priority items will be delivered. Where external trainers are used, they are chosen for their knowledge of the subject as well as experience in training delivery.
7. Members are informed of training opportunities by way of the Member's newsletter and/or by email/calendar invitation which enables the Member to accept or decline and allows the session to automatically populate in their calendar. The additional benefit of inviting members via calendar invitation is it enables the Committee team to see the proposed attendance and manage the session to ensure effective use of meeting rooms.
8. Dates for Member forthcoming training and briefing sessions are also included on the Members' Monthly newsletter.

## **2019/20**

9. An overview of Member training and briefing sessions delivered during 2019/20 is attached for Member's information at appendix A.



10. In this municipal year, all Chairman and Vice-Chairman were invited to Chairman training which was hosted externally at Southampton City Council. This was publicised in the Members' Newsletter and by email and although no confirmation of attendance was received, it is believed that one Chairman attended this session.
11. In June 2019, Members of the Licensing and Regulatory Affairs Committee were invited to attend Licensing training hosted at Southampton City Council for several Local Authorities. This was a change to the usual training provision for Fareham Borough Council as this is usually undertaken at the Civic Offices by a Barrister. Of the fourteen Committee Members (including deputies), four Members attended.
12. Appendix A shows the number of Members in attendance at each session held over the past municipal year.

### **2020/21**

13. It should be noted that at the commencement of each municipal year, a skeleton schedule of training is prepared and this is expanded throughout the year with topics relevant to current issues and projects as the Council works to deliver its priorities and these items will also, most certainly, have an interest to Borough residents, hence the need for Councillor awareness.
14. The Council offers Safeguarding training to all new Councillors, as well as an annual refresher session at some point during the municipal year.
15. Research of attendance has identified that some Members are not up to date with Safeguarding training, particularly following the adoption of the new policy, and therefore as well as covering Safeguarding on Module three - Newly Elected Cllr: Induction Training Day the Council will be offering a further date for this training to capture attendance by all Members.
16. Attached at appendix B is the draft Schedule of Training and Development for 2019/20. Members are invited to comment on this and make recommendations for training items for inclusion.

### **NEW MEMBER TRAINING MODULES**

17. All new Members receive a Member Induction booklet as part of an introduction package on Election night. This was introduced following feedback from Members during previous consultations.
18. Included within the "Election Night introduction package" is a booklet which sets out training modules for new Councillors in their first six months.
19. Due to the Election being held on the 7 May and the first Council meeting on the 14 May 2020, there is a tight timescale for the initial modules which are essential for introducing new Members to the Council, as well as covering essential procedural information for the Annual Council meeting and administrative tasks.
20. The draft Member Induction booklet is included at Appendix C and Members are invited to make suggestions for items to be included within those new Councillor training modules.

## **RISK ASSESSMENT**

21. The decision the committee is being asked to make a recommendation C, presents minimal risk but it gives Members of the Committee opportunity to influence the training provided to new Councillors, based on their experiences and knowledge.
22. It is important to adopt a programme of training and development which is responsive to Members' needs and without this, it could possibly restrict the capacity of the Council to fulfil its responsibilities of community leadership and local governance.

## **CONCLUSION**

23. Members are asked to consider this report and have an input towards New Member Induction training as well as the overall All Member Training modules for the next municipal year.

### **Appendices:**

Appendix A – Members' Training and Briefing Schedule 2019/20

Appendix B – Draft Members' Training and Briefing Schedule 2020/21

Appendix C - Draft New Members Induction Booklet 2020

### **Background Papers:**

None

### **Reference Papers:**

- (a) Minutes of the Standards Committee 26 November 2003

(<http://moderngov.fareham.gov.uk/Data/Standards%20Committee/20031126/Minutes/sc-031126-m.pdf>); and

- (b) Report to the Audit and Governance Committee on Member training & development and revised New Member Induction package (ref au-130311-r11-ewi)

(<http://moderngov.fareham.gov.uk/documents/g1769/Public%20reports%20pack%2011th-Mar-2013%2018.00%20Audit%20and%20Governance%20Committee.pdf?T=10>)

### **Enquiries:**

For further information on this report please contact Leigh Usher, ext. 4553.

**Appendix A**  
**Member's Training and Development Schedule 2019/20**

<b>Date</b>	<b>Topic</b>	<b>Overview</b>	<b>Attendance</b>
13 May 2019	Safeguarding	An All Members Briefing to remind Members of their Safeguarding responsibilities and to update them of changes to the Safeguarding Policy	11
3 June 2019	Titchfield Neighbourhood Forum Referendum	An All Members Briefing to outline to Members the procedures and timeline to be followed in respect of the Titchfield Neighbourhood Forum Referendum	10
13 June 2019	Function of the Partnership for South Hampshire (PFSH)	An All Members Briefing to provide Members with an overview of the function and responsibilities of PUSH	18
19 July 2019	Licensing training	Members of the Licensing and Regulatory Affairs Committee - Full day Licensing training course held in conjunction with Southampton and Eastleigh Councils	4 (Please note, only 14 Committee Members including deputies were required to attend)
13 September 2019	Welborne Planning Application	An all member briefing in respect of the Welborne Garden Village Planning application	17
17 September 2019	Welborne Viability	An all member briefing on Welborne Garden Village Viability and Affordable Housing	18
18 September 2019	Welborne Infrastructure	An all member briefing on Welborne Garden Village Infrastructure Provision and Infrastructure Sequencing	16
26 September 2019	Welborne Site Visit	An all member visit around the Welborne Site	14
27 September 2019	Welborne Infrastructure	An all member briefing on Welborne Infrastructure Provision and Infrastructure Sequencing	9
4 October 2019	Welborne Transport	An all member briefing to outline the new proposed road layouts for Fareham – North Hill, Wickham Road and motorway links	15
5 December 2019	Local Plan Consultation	An all member briefing on the draft Local Plan Consultation	18



**Appendix B**

**Draft Member's Training and Development Schedule 2020/21**

<b>Date</b>	<b>Topic</b>
12 May 2020	Newly Elected Cllr induction (Module 1) - Welcome, Introduction & Overview of Key Points
19 May 2020	Newly Elected Cllr: Introduction to Planning Committee (Module 2)
21 May 2020	Newly Elected Cllr: Induction Training Day (Module 3)
TBC	Licensing Training Session - for those Members who sit on the Licensing and Regulatory Affairs Committee
TBC	Safeguarding - All Member Please note: Safeguarding is also included within the Module 3 Training Day
TBC	Freedom of Information and Environment Information Regulations – All Member
TBC	Data Protection and the General Data Protection Regulations (GDPR)
TBC	Prevent Awareness: One of the four elements of the Government's Counter-Terrorism Strategy
TBC	Overview of the Council's Finances

Schedule to be expanded throughout the year with topics relevant to current Council issues and projects.



# FAREHAM

## BOROUGH COUNCIL

# NEW MEMBER WELCOME INDUCTION BOOKLET

## Introduction from the Chief Executive

Dear Councillor,

I would like to take this opportunity to personally congratulate you on your election as a Councillor for Fareham Borough Council and I extend a very warm welcome to you.

This induction booklet has been compiled to assist you in your role throughout your term of office. It contains important information for ongoing reference and an electronic version of the document will be updated on the website as required. In addition, there are a number of forms for you to complete and return, as explained in the attached letter.

The booklet includes a number of web links which allow you to access information across the Council's website and direct you to other useful websites.

I hope you will attend the training provided as shown on the enclosed schedule and you will find my officers willing to explain any areas which are unclear.

I look forward to working with you during the forthcoming Council term.

A handwritten signature in black ink that reads "Peter Grimwood". The signature is written in a cursive style and is positioned above the printed name and title.

Peter Grimwood  
Chief Executive



## **Congratulations on your election to Fareham Borough Council.**

The Head of Democratic Services, Leigh Usher and her team would like to welcome you and introduce you to the Council.

The following pages give an overview of the Council and a list of key contacts. A scheme of training has been adopted to assist new Members in familiarising themselves with the work of the Council, and is also attached.

Member training and development is considered to be an integral part of the Council's business and it is recognised that the Council can achieve its aims and objectives to assist Members in dealing with the demands placed upon them.

Fareham Borough Council:

- Recognises the need to provide appropriate training and development and learning opportunities to all members
- Will identify resources to provide training and development to maximise the potential of its members
- Recognises that continued investment and commitment to training and development are essential to Fareham Borough Council, if quality services are to be provided, maintained and continually improved;
- Requires all members to actively participate and ensure that training needs are identified through completion of a training needs assessment every two years to enable the appropriate investment of the Authority's resources in the training and development of all members, and
- Recognises its responsibility to provide equal access for all members to training and development in accordance with equal opportunities and existing policies.

I look forward to meeting you at the first induction session on Tuesday 12<sup>th</sup> May at 5pm. If you have any queries, please do not hesitate to telephone as follows:

Leigh Usher  
Head of Democratic Services  
01329 824553  
lusher@fareham.gov.uk

Samantha Wightman  
Committee and Information Services Manager  
01329 824594  
swightman@fareham.gov.uk

## **NEW MEMBER INDUCTION TRAINING TIMETABLE**

### **Elected 07 May 2020**

Paperwork received will include Acceptance of Office, bank details car registration and Declarations of Interests form – to be returned on or before 12 May.

- Please note the following timeframes:  
Your Acceptance of Office form must be signed and returned to the Head of Democratic Services before the Annual Council Meeting. Without this, you cannot attend that meeting.  
Your Declaration of Interests form must be returned to the Head of Democratic Services by 29 May 2020.

### **Module 1 – Welcome, Introduction and Overview of key points**

**Tuesday 12 May at 5pm**

**Collingwood Room, Floor 8, Civic Offices**

**Required attendance – all new Members**

- Attend Civic Offices (ICT on floor 1 between 4.30-5pm) to have photo taken for ID badge
- Opportunity to hand in paperwork given out on Election night
- Return Parking Permit Application and please bring your driving licence and copy of insurance to receive your car parking pass
- Establish how you would like to be addressed on business cards
- Short ICT briefing to establish what IT is required
- Short presentation from the Head of Democratic Services to outline Council Meeting procedures, Declarations of Interest, Petitions and Motions, committees, information security and group rooms in readiness for Annual Council meeting

### **Thursday 14 May 2020**

**10am – Waypoint Church, 225 Hunts Pond Road, Titchfield Common, PO14 4PG**

**3.30pm – Council Chamber, Floor 8, Civic Offices**

Attend Mayor Making and the Annual Council meeting. An invitation will be sent to you by the Mayor's office for Mayor Making.

### **Module 2 – Introduction to sitting on Planning Committee**

**Tuesday 19 May 2020 at 4.30pm**

**Council Chamber, Floor 8, Civic Offices**

**Required attendance – all new Councillors who are appointed to sit on Planning Committee**

This session is for new Councillors who have been appointed to sit on Planning Committee and it will cover the procedures for these meetings.

**Module 3 – New Member Induction Training Day**

**Thursday 21 May 2020: 10am – 4.30pm**

**Vannes and Pulheim Rooms, Floor 8, Civic Offices**

**Required attendance – all new Members**

- 10am      **Welcome, introductions and building evacuation procedure**  
Leigh Usher, Head of Democratic Services
- Roles and responsibilities including Code of conduct; registering interests; declarations of interests and the use of Social media**  
Presented by Sarah Robinson, Monitoring Officer and Richard Ivory, Solicitor to the Council
- 11am      **Overview of the Council’s Constitution including Standing Orders and Financial regulations**  
Presented by Leigh Usher, Head of Democratic Services and Elaine Hammell, Head of Finance and Audit.
- 12noon    **Corporate Strategy and Objectives**  
Presented by Customer Service Manager
- Equality and Inclusion**  
[http://www.fareham.gov.uk/about\\_the\\_council/strategies/equality.aspx](http://www.fareham.gov.uk/about_the_council/strategies/equality.aspx)  
Presented by Leisure and Community Officer
- 12.30pm   **Lunch with the Mayor**  
Mayor’s Parlour, Floor 8, Civic Offices
- 2pm        **Committee structure, scrutiny, motions to Council and petitions**  
Presented by Leigh Usher, Head of Democratic Services
- 2.45pm    **Freedom of information and Data Protection**  
Presented by Leigh Usher, Head of Democratic Services  
[http://www.fareham.gov.uk/about\\_the\\_council/foi/intro.aspx](http://www.fareham.gov.uk/about_the_council/foi/intro.aspx)
- 3.30pm    **Safeguarding**  
Presented by Community Safety Manager
- 3.55pm    **Skillgate – an introduction to the Council’s online training portal**  
Presented by HR Business Partner

~ Some of these topics will be revisited in detail during your term of office in future training sessions ~

Refreshments will be provided, and comfort breaks will be incorporated into the day between sessions.

**Module 4 – Review of Role**  
**September/October 2020**  
**Civic Offices**

This session will be an individual appointment with Leigh Usher, Head of Democratic Services to discuss the training programme and any further training requirements you may have, or wish to, suggest.

**Module 5 – Induction – What’s Missing!**  
**November/December 2020**

How can we help you further? Are there any further requirements you may have? Requests for further training or clarification?

Please don't wait though...if there is anything we can assist with in the meantime, please do contact the Committee team who will be happy to help or signpost you to the right person or department.

Training sessions will be arranged during the year for all councillors regarding specific topics and changes in legislation.

If you have any particular requirements, please discuss these with Samantha Wightman, Committee and Information Services Manager on 01329 824594 or email

[swightman@fareham.gov.uk](mailto:swightman@fareham.gov.uk)

## APPENDIX 1 COMMITTEE CALENDAR

Local people want to know that the people they elected to represent are doing so. This can involve speaking out on issues that impact on the ward or the borough, such as planning applications. The Council website [www.fareham.gov.uk](http://www.fareham.gov.uk) has information on past committee and individual decisions, agendas, reports and minutes from 2008 and the committee calendar for the current year. <http://moderngov.fareham.gov.uk/ieDocHome.aspx?bcr=1>

The website also shows details of your colleagues, the County Councillors, MPs and MEPs.

A copy of the committee calendar is shown on the following page to enable you to see the dates of the committees to which you are appointed and the Council meeting that all councillors attend.

Here is a link to the relevant web page -

<http://moderngov.fareham.gov.uk/mgCalendarMonthView.aspx?GL=1&bcr=1>

Meetings generally start at 6pm except Planning Committee which begins at 2.30pm and, on occasions, we may convene a meeting during the day. You will be sent an agenda before a meeting for each committee on which you sit which shows the start time, Chairman, Vice Chairman, committee members, minutes of last meeting and officer reports to be discussed. Contact details for the report writer is shown at the end of every report if you require clarification on any point in the report.

If you are unable to attend a meeting to which you are appointed or Council, as well as advising the Chairman, please also confirm to the Committee clerk, or team, prior to the meeting if a deputy is attending in your place.

This will enable us to ensure a quorum of Councillors will be present.

Democratic Services can be contacted:

By phone on 01329 824594;

By email at [democraticservices@fareham.gov.uk](mailto:democraticservices@fareham.gov.uk)

In persons on floor 9 of the Civic Offices

You may also be appointed to serve on an outside body on behalf of the council. There are a number of organisations which are independent from the council but have an impact on our service areas. In order that the council can maintain effective partnerships with a number of these organisations, representatives of the council, usually elected councillors sit on the various committees and forums that are responsible for them. You will be appointed at the first meeting of Council and details of the organisation and their meetings will be sent to you. These organisations usually meet 2 or 3 times a year.

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**APPENDIX 2  
COMMITTEE TEAM**

The Committee Team support all Council Committees and panels, as well as Member training, processing claims and distributing Councillors' post.

The Committee team are located on Floor 9 of the Civic Offices and comprises:

Leigh Usher  
Head of Democratic Services

Samantha Wightman  
Committee and Information Services Manager

Committee and Information Officer

Committee Officer

Committee Officer

Although committees are allocated between the team and each officer will have a responsibility for supporting those Committees and carrying out all associated administrative tasks, please approach any member of the team who will be happy to help you.

Councillor's post trays are also located in Democratic Services on floor 9. You will have been asked how you wish your post to reach you – posted or collected. If there is any change to this, please let one of the Committee Team know who will note this.

The Elections Team are also located on floor 9 and are happy to answer any of your Election enquiries.

### **APPENDIX 3 MANAGEMENT TEAM**

As shown on the chart (attached to this document), the Chief Executive is responsible for the employees and their actions. He is supported by four directors and a number of Head of Service officers reporting to them.

In addition, there are a number of key contacts who deal with particular areas that may be of concern to you or your residents.

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### **APPENDIX 4 KEY CONTACTS**

This is an A-Z list of contacts within the Council for your ease of reference (attached to this document).

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### **APPENDIX 5 MEMBERS' ALLOWANCES SCHEME**

Anyone elected as a councillor may claim payments for carrying out their duties. Our scheme under which these are made includes a basic allowance payable to all councillors and special responsibility allowances which are paid to some who have additional responsibilities.

The basic allowance is intended to recognise the time commitment all Councillors have to make, including such calls on their time such as attending meetings and dealing with constituency matters. The special responsibility allowances are available to councillors with significant extra duties and responsibilities such as the Executive Leader or the chairmen of committees. There are also various allowances available such as travel and subsistence. A carers' allowance is also available to assist councillors with expenditure necessarily incurred in arranging for the care of their dependants or children.

Allowances are automatically paid monthly into your nominated bank account but claims for travel and subsistence must be made on the appropriate form and submitted to Democratic Services within three months of incurring the expenditure.

If you have any payroll enquiries, please speak to (finance Manager)

A copy of the members' allowances scheme can be found at this link [http://www.fareham.gov.uk/about\\_the\\_council/governance/memballow.aspx](http://www.fareham.gov.uk/about_the_council/governance/memballow.aspx)



A paper copy is available on request from the Committee team.

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# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 March 2020

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

**Subject:** FIRST YEAR REVIEW OF THE NEW PROCUREMENT AND CONTACT PROCEDURE RULES

#### SUMMARY

In October 2018 the Council adopted a new set of Procurement and Contract Procedure Rules, which sought to change the Council's approach to buying goods and services against 7 Procurement Principles:

1. *Be clear about what you want and why you need it*
2. *Be able to justify your thinking to the person on the street who pays council tax*
3. *Pull in the Experts early*
4. *Anything over the european procurement limit = must go out tender (non-negotiable)*
5. *Get the best deal for the Council you can*
6. *Engage with local Small and Medium Enterprises (SMEs)*
7. *Buyer beware*

A presentation will be given to the Committee at the meeting which will cover:

- The work carried out to roll out the new process across the Council.
- The current status of the Council's Supplier base.
- The results of the first annual audit of compliance with the new policy including:
  - Cost Centre Managers' awareness and justification for spend with a sample of suppliers.
  - Cost Centre Manager's' approach to testing the market and obtaining value for money.
  - A review of the route to market options that Managers have been choosing.

#### RECOMMENDATION

It is RECOMMENDED that the Committee notes the findings from the first-year review of the new Procurement and Contract Procedure Rules, as a source of assurance on the effectiveness of the procurement internal controls that have been adopted.

**Background Papers:** Internal Audit Annual Procurement audit working papers

**Reference Papers:**

Report to the Audit and Governance Committee 23/07/2018 – Procurement and Contract Procedure Rules

**Enquiries:**

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

# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 March 2020  
**Report of:** Head of Finance and Audit  
**Subject:** INTERNAL AUDIT ANNUAL PLAN 2020/21

#### SUMMARY

This report presents a draft plan of Internal Audit Work proposed for delivery in 2020/21.

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

- 1. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.*
- 2. To approve the risk-based internal audit plan, including internal audit's resource requirements, and the approach to using other sources of assurance, and any work required to place reliance upon those other sources.*
- 3. To approve significant interim changes to internal audit plan and resource requirements.*
- 4. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.*

#### RECOMMENDATION

It is RECOMMENDED that the Committee approves the draft Annual Audit Plan for 2020/21 as attached as Appendix A.

## INTRODUCTION

1. A requirement of Internal Audit Standard 2010 is that *'a risk-based plan is established to determine the priorities of internal audit activity, consistent with the organisation's goals'. 'It must take into account the requirement to produce an annual internal audit opinion and the assurance framework'*.
2. The Annual Audit Plan provides a mechanism in which the Head of Finance and Audit can ensure the most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.
3. At the meeting in March 2019, the Audit and Governance Committee approved the latest Internal Audit Charter which set out the following role and purpose of internal audit:

### Internal audit role:

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

### Internal audit purpose:

*'Fareham Borough Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.*

*Internal Audit plays a vital role in assisting officers and members in the effective discharge of their responsibilities, by advising the Council whether these arrangements are in place and operating effectively. '*

*This is achieved through the Internal Audit service providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.*

*The Council's response to internal audit activity should lead to a strengthening of the control environment and, therefore contribute to the achievement of the organisation's objectives.*

4. At the meeting in March 2019, the Audit and Governance Committee also approved the latest Internal Audit Strategy which set out the principles to be used to set the Annual Plan of Internal Audit work and how the purposes set out in the Charter will be met.
5. A draft plan of Internal Audit work for 2020/21 has therefore been collated using these principles and giving consideration to the following:
  - (a) The Council's Corporate Strategy and key priorities, and internal policy changes and initiatives; including the objective to adopt a Vanguard approach to the delivery of services.
  - (b) Initiatives, changes and risks being highlighted through the Risk Management process and Medium-Term Financial Strategy; including the budgets proposed for 2020/21.
  - (c) Governance, fraud or risk issues identified through the year from work carried out by the internal audit or finance teams; including horizon scanning for emerging local

or national risks and themes.

- (d) Trends and outstanding recommendations identified on the audit recommendation database.
- (e) On-going liaison with the senior and service managers of the Council.

## **DRAFT ANNUAL AUDIT PLAN FOR 2020/21**

- 6. The draft plan prepared for 2020/21 is shown in [Appendix A](#). The format of the plan has been changed this year to specify the list of audits that will be monitored for delivery to support the 2020/21 Head of Audit's opinion, which is supplemented with a list of reserve work which will be covered if time allows. This is to allow some capacity in the team to be reserved for unplanned work and other governance work identified for the year such as individual risk assessments of the Local Plan and Solent Airport projects, which do not feature in the plan.
- 7. The following should be noted:
  - (a) **Level of Opinion Audit:** There is provision in the plan for 171 days of individual audit opinion work plus 15 days for the in-house team to support these audits. This meets the Strategy minimum of 180 days.
  - (b) **Number of Assignments:** There are 20 discrete pieces of work included in the plan, plus 5 in the reserve list, covering a variety of departments in the Council. The subjects covered represent approximately 15% (25/168) of the Audit Universe. There will also be reactive pieces of work completed in the year which will be used to support the Annual Audit Opinion. This meets the Strategy minimum of 20 audits.
  - (c) **Type of Audits:** The plan includes the breakdown of the types of audit set out in the Strategy including 4 Fundamental Systems and 7 High Risk Audits.

## **RESOURCING THE PLAN**

- 8. Resources available through the partnership with Portsmouth City Council will be used to deliver the majority of the Opinion work to ensure independence and will also be used for assist with at least one of the Wider pieces of work (Targeted Assistance with recommendation implementation). There are no audits in the plan this year that are appropriate for sharing coverage with Gosport Borough Council.
- 9. The rest of the wider work will be delivered by a mixture of in-house audit and finance resources and by collaborative working with other teams in the Council.

## **RISK ASSESSMENT**

- 10. The Council has a statutory requirement to carry out internal audits of services and systems, with sufficient coverage to allow an annual Head of Audit's Opinion to be produced. Delivery of this plan will therefore mitigate the risk of non-compliance.

## **Appendices**

Appendix A – Draft Audit Plan 2020/21

**Background Papers:** None

**Reference Papers:**

Chartered Institute of Public Finance and Accountancy (CIPFA) 2017 – Public Sector Internal Audit Standards.

Report to Audit and Governance Committee on the Internal Audit Strategy and Internal Audit Charter March 2019

**Enquiries:**

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



## APPENDIX A - Draft Internal Audit Plan 2020/21

	Type	Title	Dept-Lead Service	Days	Reason for Inclusion in Plan
	<b>OPINION WORK</b>				
1	Fundamental Systems	<b>Benefits</b>	H-Housing	15	Fundamental system - last opinion given 2017/18
2	Fundamental Systems	<b>Income Management</b>	H-Operational Finance	15	Fundamental system - last opinion given 2017/18
3	Fundamental Systems	<b>Accounts Receivable</b>	H-Operational Finance	15	Fundamental system - last opinion given 2017/18
4	Services and Systems - High Risk	<b>Democratic Representation and Management (including members allowances and expenses)</b>	F-Democratic Services	12	New high risk audit based on Gross Expenditure - last opinion given 2013/14
5	Services and Systems - High Risk	<b>Household waste collection</b>	T-Street Scene	10	High risk audit - last opinion given 2015/16
6	Services and Systems - High Risk	<b>Recycling</b>	T-Street Scene	8	High risk audit - last opinion given 2015/16
7	Services and Systems - High Risk	<b>Parking Enforcement</b>	L-Environmental Health and Parking	10	High risk audit - last opinion given 2015/16
8	Services and Systems - High Risk	<b>Daedalus Operating Contracts</b>	P-Property	15	High risk audit - opinion outstanding from 2015/16 - refreshed audit needed with the additional testing
9	Computer - fundamental system	<b>Benefits and local tax computer systems</b>	H-Housing / F-ICT	15	IT systems supporting a fundamental system - last opinion given 2010/11
10	Computer - key system	<b>Internet and Email access</b>	F-ICT	12	Key IT systems - last opinion given 2008/9
11	Services and Systems - Other	<b>Service charges and recharges - council tenants</b>	H-Housing	15	New rolling programme of testing to ensure that the Council is complying with the latest relevant legislation in relation to services charges, and that other recharge processes are robust.
12	Corporate, Specialist, Governance & Risk (OPINION)	<b>Construction Industry Tax Scheme (CIS)</b>	H-Operational Finance	5	Specialist audit - last opinion given in 2008/8

13	Limited Opinion Follow Up	<b>Cloud</b>	F-ICT	8	Follow up of limited opinion audit 2018/19
14	Limited Opinion Follow Up	<b>Tenancy Management</b>	H-Housing	5	Follow up of limited opinion audit 2019/20
15	Limited Opinion Follow Up	<b>Safeguarding</b>	L-Environmental Health and Parking	5	Follow up of limited opinion audit 2019/20
16	Limited Opinion Follow Up	<b>Housing Rents</b>	H-Housing	6	Follow up of limited opinion audit 2019/20
	In-house support			15	
<b>Total Opinion Work</b>				<b>186</b>	
<b>WIDER WORK</b>					
17	Corporate Assurance Work	<b>Targeted Assistance with Recommendation Implementation</b>	Cross Cutting		To assist services with implementation of recommendations each year. Subjects for 2020/21 likely to focus on contract deeds management and asset disposal.
18	Corporate / Contract - joint working	<b>Contract Management</b>	F-Democratic Services		Audit brought forward from 2018/19 to assist with the review of contract management arrangements and the requirements in the Procurement and Contract Procedure Rules
19	Certification	<b>Disabled Facilities Grants - grant certification 2019/20</b>	L-Environmental Health		Likely certification request from Ministry of Housing, Communities and Local Government
20	Thematic review (WIDER)	<b>Social Media Monitoring by services</b>	Cross Cutting		Proactive discussions with services and testing to ensure that the Council complies with the Chief Surveillance Commissioners recommendation in 2016
<b>RESERVE WORK IF TIME ALLOWS</b>					
1	Fundamental Systems (OPINION)	<b>Vehicle Maintenance ordering, invoice management and stock control</b>	T-Street Scene	15	Fundamental Process in High Risk service - a large number of previous recommendations still to be closed down
2	Services and Systems - Other (OPINION)	<b>Car loans</b>	H-Operational Finance	5	Minor system last opinion given 2002/03 (for apprentice to lead)
3	Limited Opinion Follow Up	<b>Housing Voids</b>	H-Housing	5	Follow up of limited opinion audit given late in 2019/20

4	Corporate Assurance Work (WIDER)	<b>Pre-application advice cost comparison to income</b>	P-Development Management	5	To assist service in verifying the costs associated with providing pre-planning application advice compared to the charges made.
5	Corporate Assurance Work (WIDER)	<b>Annual Testing of Procurement Decisions</b>	Cross Cutting		New requirement in the Procurement and Contract Procedure Rules to carry out testing on spend above and below the significant value threshold to feed into the annual assurance to the Chief Executives Assurance Group. Will also include invoice testing.
	Non specified PCC contingency			10	



# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 March 2020  
**Report of:** Head of Finance and Audit  
**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: -*

- d) to approve significant interim changes to the internal audit plan and resource requirements;*
- 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;*
- 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:*
  - updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.*
- i) 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.*

#### RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee: -

- (a) notes the progress and findings arising from Internal Audit work; and
- (b) approves the close down of the older audits of Contract Completion and Leaseholder Charges and the issues are picked up in other areas of 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. Due to the work that was carried out supporting the roll out of the new Procurement and Contract Procedure Rules this year, it has not been possible to progress the next stage of the work which is to look at contract management. This work will therefore roll over to the next audit plan, leaving 23 audits in the current plan. 14/23 audits have been finalised in the current internal audit plan. Work has commenced on a further 8/23 audits, including 6 that are well into **Stage 4** (the Auditor has started to deliver the agreed scope of work), 1 at **Stage 5** (a first draft of the report has been received by the Support Officer), and 1 at **Stage 7** (an exit meeting has been held with the Sponsor). This leaves one audit (Anti- Bribery yet to start).

## FINALISING PREVIOUS AUDIT PLANS

3. The 10 remaining audits from the previous Audit Plans are detailed in Appendix One. As requested by members, the plan of how to finalise these audits is provided in the table. Considerable work has been carried out to progress 2 audits (Housing Options and Risk Inspections) which should have reached the final stage by the next meeting. It is also proposed that 2 audits (leaseholder charges and contract completion) are now closed down and picked up as parts of other reviews.

## FINDINGS FROM COMPLETED AUDITS

4. The 9 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
Treasury Management	Strong	-	-	1
Street Cleansing	Reasonable	-	1	-
Dog Control Follow up	Reasonable	-	1	2
Tenancy Management	Limited	-	4	3
Housing Rents	Limited	2	-	4
CCTV	N/A	-	-	-
Annual Testing of Procurement Decisions	N/A	-	11	-
Deceased Persons List follow up	N/A	-	5	-
Disabled Facilities Grants- Grant certification	N/A	2	1	2

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 Housing Rents and Tenancy Management audits that have 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** - Audits in the 2019/20 Audit Plan

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

**Appendix Four** - Reference Tables

**Background Papers:** None

#### **Reference Papers:**

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

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

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

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

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

Report by the Head of Finance and Audit to the Audit and Governance Committee on 11 March 2019 on the Internal Audit Plan 2019/20

#### **Enquiries:**

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

## 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*	Original Days in Plan	Proposals to Conclude this work
2014/15			
Information Governance Opinion (Wider piece of work)	5	-	<p><b>Audit relying on Other completion of other Audit Work – Targeted for July</b> This audit will be able to be closed down once the review of all outstanding audit recommendations is commenced and the extract relating to ICT audit recommendations can be produced to feed into the final summary. Some time has been set aside to complete this by the July Committee.</p>
Contract Completion (Opinion audit)	5	10	<p><b>Proposed Close Down of Audit at this point</b> This audit involved testing a number of key controls against 17 contracts that had been completed. The draft report received on this in 2015 highlighted the following exceptions found during testing:</p> <ul style="list-style-type: none"> <li>• Issues with managing contract variations and verifying the final contract sums (on 2 contracts)</li> <li>• Reporting of contract overspends to members in accordance with Financial Regulations (on 3 contracts)</li> <li>• Missing health and safety documentation as part of the hand over at the end of the contract in contravention of The Construction (Design and Management) Regulations 2015 (1 contract)</li> <li>• Missing Certificates of practical completion (1 contract)</li> <li>• Retention sums not released in accordance with the terms and conditions of the contract (2 contracts)</li> <li>• Contract documents not finalised (1 contract)</li> </ul> <p>The in-house and external auditors who were involved in this review have since left their respective organisations, as has one of the key service managers who was audited at the time. The requirements under the Council's Financial Regulations and the Procurement and Contract Procedure Rules have also changed. It is therefore proposed that this audit is shut down at this point and the issues are covered by the proposed review of contract management.</p>
2016/17			
Daedalus Operating Contracts (Opinion audit)	5	12	<p><b>Proposed Audit for 2020/21 to supersede this audit</b> The draft audit report in 2016/17 generally gave strong assurance in relation to these contracts, although there were a few minor areas of testing that needed finalising and feeding into the report. Some of these have since been picked up by the finance team. In the meantime, the nature of the operations at Daedalus have been expanded, and there have been changes in the FBC officers involved in estate management and financial support. It is therefore proposed to refresh this assurance with a new audit in the 2020/21 audit plan which will allow this audit to be closed.</p>
Leaseholder Charges (Wider piece of work)	5	-	<p><b>Proposed Close Down of Audit at this point</b> This audit involved a collaborative review of the process, led by the relevant accountant. A number of the issues arising have since been addressed as part of other pieces of work, and many have fed into the business case for the new housing system. It is therefore proposed that this audit is shut down at this point and the issues are reviewed in an</p>



Audit Title	Stage reached of 10*	Original Days in Plan	Proposals to Conclude this work
			opinion audit of the system post implementation as part of a future internal audit plan.
Building Health and Safety Risks (Wider piece of work)	5	-	<b>Audit Targeted for Completion using Apprentice Resources - September</b> The draft audit report in 2016/17 generally gave strong assurance in relation to the management of these risks, although there were a few minor areas of testing that needed finalising and feeding into the report. It therefore proposed that the additional apprentice resources will be used to refresh the testing and fill in the gaps to allow the report to be finalised by the September Committee.
2017/18			
Commercial Estates (Opinion audit)	8	15	<b>Audit Targeted for Completion - September</b> The draft audit report in 2017/18 generally gave reasonable assurance in relation to the management of these risks, although there were a few minor areas of testing that needed finalising and feeding into the report, and some inaccuracies needed correcting. It therefore proposed that a revised draft report is still produced and discussed with the new manager of the service to allow the report to be finalised by the September Committee.
Risk Inspections of Public Areas (Wider piece of work)	4	-	<b>Audit Targeted for Completion - July</b> This is a large collaborative piece of work involving the insurance and audit teams which will culminate in a presentation to senior managers. A considerable amount of work has been carried out this year, including in recent months, to bring this work to conclusion and the resulting report and presentation are nearly completed. The team is now just refreshing the analysis to bring it up to date and then will be reporting back on their findings. We are targeting the report to be finalised by the July Committee
2018/19			
Write Offs History Analysis & Interest charges (Wider piece of work)	5	-	<b>Audit Targeted for Completion - September</b> A considerable amount of work has been carried out on this audit which was fed into the changes proposed to Financial Regulations at the September Committee. There are some parts of the analysis that need completing and all the findings discussed at a manager's workshop before this work can be finalised.
Housing Options Debtors (Wider piece of work)	8	-	<b>Audit Targeted for Completion - July</b> This second draft of this report has now been produced and is just waiting review and discussion with the service to allow the final report to be produced.
Review of all other outstanding audit recommendations (Wider piece of work)	1	-	<b>Audit Targeted for Completion – November</b> Little progress has been made on this large piece of work that has been outstanding for a number of years, although in the meantime some targeted follow up work has commenced. Resources will be focused on this work during 2020/21 rather than other wider pieces of work to allow this review to be completed.

\* A KEY TO THE INFORMATION IN THIS COLUMN IS GIVEN IN APPENDIX FOUR.

APPENDIX TWO

RESULTS OF PLANNED ASSIGNMENTS 2019/20

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
<b>FUNDAMENTAL SYSTEM AUDITS</b>												
<b>Payroll and Employee Expenses</b>	<b>10</b>	15	<b>Strong</b>	↔	N	-	-	2	-	-	-	1
<b>Housing Rents (NEW)</b>	<b>10</b>	15	<b>Limited</b>	↓	Y	2	-	1	4	-	2	2
Banking	4	5										
<b>Treasury Management (NEW)</b>	<b>10</b>	10	<b>Strong</b>	↔	N	-	-	-	2	-	-	1
<b>SERVICES &amp; SYSTEMS – HIGH RISK</b>												
<b>Tenancy Management (NEW)</b>	<b>10</b>	15	<b>Limited</b>	↓	N	-	4	-	4	-	2	1
Parks and Open Spaces	4	15										
<b>Street Cleansing (NEW)</b>	<b>10</b>	10	<b>Reasonable</b>	↔	N	-	1	1	-	-	-	-
Property Maintenance – Council Housing Voids	5	15										
<b>Local Plan</b>	<b>10</b>	10	<b>Strong</b>		N	-	1	3	-	-	-	-
<b>SERVICES &amp; SYSTEMS – Other</b>												
<b>Safeguarding</b>	<b>10</b>	10	<b>Limited</b>	↓	N	2	3	-	-	-	-	-
Planning Advice	4	5										
<b>Land Charges</b>	<b>10</b>	10	<b>Reasonable</b>	↔	N	-	2	1	-	1	-	-
<b>CCTV Control Centre (NEW)</b>	<b>10</b>	10	N/A	N/A	-	-	-	-	-	-	-	-
<b>COMPUTER AUDITS</b>												
<b>Fuel System</b>	<b>10</b>	10	<b>Strong</b>	↑	N	-	-	2	3	-	-	-
BACS processing through Bottomline	4	10										
Recording of Sickness through the HR 21 system	4	10										
<b>FOLLOW UP</b>												

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
<b>Dog Control (NEW)</b>	10	8	Reasonable	↑	N	-	1		4	1	1	1
Recommendation Follow Up (PCC)	4	15										
<b>WIDER WORK</b>												
<b>Annual Testing of Procurement decisions (NEW)</b>	10	10	N/A	N/A	-		11					
Contract Management	Postponed											
<b>Disabled Facilities Grants – Grant Certification 2018/19 (NEW)</b>	10		N/A	N/A	-	2	1		-	-	-	2
<b>Deceased Persons List – Follow up (NEW)</b>	10		N/A	N/A	-	-	5	-	-	-	-	-
Assurance on Partnership Governance	7	15										
Anti-Bribery Policy	Not Started											
<b>Totals</b>												

## Findings from the Latest Completed Audits

<b>Audit Title</b>	<b>Treasury Management Audit</b>	<b>Overview of Subject:</b> Treasury Management is the management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. Each year a Treasury Management strategy, compliant with the Chartered Institute of Public Finance and Accountancy's Code of Practice, is produced, which outlines the Authority's approach to Treasury Management. In addition, mid-year and end of year reports are produced for Councillors. Cash flow monitoring is maintained to forecast cash in and outflows. This helps the Treasury Management service make informed investment and borrowing decisions.
<b>Report Number</b>	<b>1173</b>	
<b>Year of Audit</b>	<b>2019/20</b>	
<b>Type of Work</b>	Fundamental System	
<b>Assurance Opinion Given</b>	<b>Strong</b>	
<b>Direction of Travel</b>	↔2016/17	
<b>Errors Found</b>	No	

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
Policy & Strategy			-	-	-	1	-	-
Compliance with Strategy			-	-	-	-	-	-
Authorisations			-	-	-	-	-	1
Interest Reconciliation			-	-	-	-	-	-
Monitoring & Reporting			-	-	-	-	-	-
Cash Flow Monitoring			-	-	-	-	-	-
System Access			-	-	-	-	-	-
Treasury Reconciliations			-	-	-	-	-	-

<b>Arlingclose Contract</b>			-	-	-	1	-	-
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<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Previous Important</b>	<p><b>Counterparty Decision Documents for Borrowing</b> - During the last audit, testing highlighted that where new borrowing was undertaken by the Authority there was no record detailing the decision making and authorisation process. It was recommended that a document, similar to the Counterparty Decision Document used for investments, be created to provide an audit trail of borrowing decisions. It was confirmed, during the current audit, that this had not been implemented. However, since the completion of the audit, this document has now been created.</p>

<b>Audit Title</b>	<b>Street Cleansing</b>	<p><b>Overview of Subject:</b> Local authorities have a statutory duty under the Environmental Protection Act (EPA)1990 to ensure public spaces and highways are kept free from litter and refuse as far as is reasonably practicable as detailed in the Code of Practice on Litter &amp; Refuse 2013 – (updated 2019).</p> <p>The Street Cleansing Service maintains the cleanliness of all areas of the Borough, including dealing with litter, dog waste, graffiti, abandoned vehicles, and bulky waste. Where any issues are reported by staff or residents relating to the clearance of waste by the regular rounds, the details are reviewed and if necessary, a more frequent visit is scheduled.</p>
<b>Report Number</b>	<b>1176</b>	
<b>Year of Audit</b>	<b>2019/20</b>	
<b>Type of Work</b>	Services and Systems – High Risk	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↔2007/08	
<b>Errors Found</b>	No	

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
Review of Street Cleansing Service. Compliance			-	-	1	-	-	-
Review of processes for specific operations.			-	-	-	-	-	-
Review of regular tasks - litter and dog waste			-	-	-	-	-	-
Comments and Complaints			-	-	-	-	-	-
Budgets			-	-	-	-	-	-
Recharging of costs			-	1	-	-	-	-

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Important</b>	<p><b>Recharging of Costs to other Departments</b> – Requests are received by the Street Cleansing Service from other Departments within the Council on a regular basis for the clearance of waste. There are also regular street cleansing rounds of Council properties. However, no evidence of recharging costs was found for the services provided. A new system has been devised for the recharges which needs to be actioned at the end of the financial year.</p>

<b>Audit Title</b>	<b>Dog Control Follow Up</b>	<p><b>Overview of Subject:</b> The Environmental Health Partnership provides the Dog Control Service for both Fareham Borough Council and Gosport Borough Council. Weaknesses were found with the controls in the processes used by the service and this audit followed up progress in implementing the agreed action plan.</p> <p>5/7 of the original important recommendations have now been signed off as implemented or no longer needed. In particular improvements were found in relation to:</p> <ul style="list-style-type: none"> <li>The fee structure has been changed to make collection easier and to reflect the costs being incurred.</li> <li>Records were found to be created on the day that the report of a stray dog was received with the exception of reports made during an out of hours period; these had been recorded on the next working day.</li> <li>Invoices had been raised to recover costs from dog owners relating to statutory fees and kennelling costs where applicable.</li> <li>Fees, including method of payment and receipt numbers, were clearly recorded in the management system for all transactions checked.</li> </ul> <p>Invoices received from kennels were being checked and cross referenced to dogs recorded on the system.</p>
<b>Report Number</b>	<b>1185</b>	
<b>Year of Audit</b>	<b>2019/20</b>	
<b>Type of Work</b>	Limited Opinion Follow Up	
<b>Assurance Opinion Given</b>	<b>Reasonable</b>	
<b>Direction of Travel</b>	↑2018/19	
<b>Errors Found</b>	No	

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Previous Important</b>	<b>Procedure Notes</b> – The Dog Control procedure notes had been partially updated since the previous audit, however, further work is required to document the Out of Hours procedures and amend the section relating to kennelling fees.
<b>Previous Important</b>	<b>Reconciliation of fees</b> – It was previously recommended that a monthly report for payments received and invoice numbers issued should be sent to the Environmental Health Partnership to enable them to carry out a full reconciliation of Kennelling fees. However, it has been agreed that the reconciliation will now be carried out by the Finance Department.
<b>Important</b>	<b>Account Query</b> – A local establishment used by the authority for the Kennelling of Stray dogs has not regularly invoiced the Authority regarding a number of strays. Further information is to be obtained to confirm the accuracy of the outstanding transactions before payment is made. Work is currently in progress to bring this to a satisfactory conclusion.

<b>Audit Title</b>	<b>Tenancy Management</b>	<p><b>Overview of Subject:</b> Local Authorities have a statutory obligation under the Housing Act 2004 to provide housing to those in need, giving priority to the homeless and other vulnerable parties. The Authority currently manage over 2,000 tenancies. New applicants go through a needs assessment to be allocated a priority of which there are 4: low, medium, high and urgent.</p>
<b>Report Number</b>	<b>1174</b>	
<b>Year of Audit</b>	<b>2019/20</b>	
<b>Type of Work</b>	Services and Systems – High Risk	
<b>Assurance Opinion Given</b>	<b>Limited</b>	
<b>Direction of Travel</b>	↓2014/15	
<b>Errors Found</b>	No	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Implemented	Previous Rec Implementation (E and I only)		
			Essential (⚡)	Important (▲)	Advisory (℞)		Cancelled	In Progress	Not Implemented
New Tenants			-	1	-	-	-	-	-
Tenancy Terminations			-	-	-	-	-	-	-
Monitoring of Tenancies			-	1	-	-	-	-	-
Maintenance of Housing List			-	-	-	-	-	-	-
Joint Tenancy			-	-	-	-	-	-	-
Tenancy Complaints			-	-	-	-	-	-	-
Transfer of Tenants			-	1	-	-	-	-	-
Debt Monitoring			-	-	-	1	-	-	-
Write Offs			-	-	-	1	-	-	-
Photo Identification			-	-	-	-	-	2	-
Void Properties			-	-	-	-	-	-	-



Mutual Exchanges			-	-	-	1	-	-	-
Tenancy Changes			-	1	-	-	-	-	-
Transfer Incentive			-	-	-	-	-	-	1
General Debtor Checks			-	-	-	1	-	-	-

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

<b>Important</b>	<b>Allocation Decisions</b> - During testing of new tenants it was highlighted that, although there was evidence to support the reason for allocating an applicant a property, there was a lack of evidence to support the consideration of all eligible applicants. Subsequently, if placed under scrutiny, the decisions may be difficult to justify. This issue was risk accepted by management on the basis that they are very rarely challenged on the housing allocation decisions they make and feel they could justify their decision if questioned.
<b>Important</b>	<b>Monitoring of Tenancies</b> - New tenants should be visited periodically in the first year of their tenancies. The observations made on these visits will help determine whether the tenant should become a secure tenant at the end of their first year. Testing found inconsistencies with the recording of visitations to introductory tenancies. A decision will be made to determine how visits to tenants are recorded, ensuring the process of monitoring tenancies is consistent and that there is evidence to support these visits.
<b>Important x 2</b>	<b>Tenancy Transfers and Changes</b> - When a transfer of tenancy takes place a transfer form should be signed by a manager. Testing found that a process was in place, but the management transfer form was not evident in some of the sample tested. When a joint tenancy becomes a single secure tenancy there should be a tenancy changes sheet stored in the tenant's file. Testing found limited evidence that a tenancy change sheet had been signed by a Manager to indicate a separation of duties. It will be reiterated that signed management transfer forms and tenancy change sheets are required to be stored on the tenants' files.
<b>Previous Important</b>	<b>Transfer Incentive</b> - The Authority operate a cash incentive to tenants who offer to downsize their property in order to make larger properties available to families in need. In the previous audit, it was recommended that information regarding this be published on the Authority's website to raise awareness. At the time of testing this had not been done but is due to be completed as part of a project, due to start in 2020.
<b>Previous Important x 2</b>	<b>Photo Identification</b> - The previous audit recommended that a copy of tenant's photo identification is scanned and stored on the file to confirm the tenant's identity and reduce the risk of tenancy fraud. Discussions found that the process had been implemented and that forms of ID are requested, as standard practice, during the sign-up process. This is subsequently scanned onto the electronic file. However, testing found that 3/10 introductory tenancies had no evidence of a Photo ID stored on the file. Further guidance will be communicated to ensure the process is followed fully going forward.

<b>Audit Title</b>	<b>Housing Rents</b>	<p><b>Overview of Subject:</b> The Housing Rents is a large source of income for the Authority who receive payments for rent directly from tenants who reside in the Authority's properties. Payment is also received from Housing Benefit on behalf of those tenants that are eligible to receive it. Housing has had two restructures since the previous audit and works are currently underway to source a replacement IT system to manage tenancies.</p>
<b>Report Number</b>	<b>1171</b>	
<b>Year of Audit</b>	<b>2019/20</b>	
<b>Type of Work</b>	Fundamental System	
<b>Assurance Opinion Given</b>	<b>Limited</b>	
<b>Direction of Travel</b>	↓2016/17	
<b>Errors Found</b>	Yes	

Areas of Scope	Adequacy and Effectiveness of Controls		New Recommendations Raised			Previous Rec Implementation (E and I only)			
			Essential (🔴)	Important (🟡)	Advisory (🟢)	Implemented	Cancelled	In Progress	Not Implemented
Calculation of Rent			-	-	-	-	-	-	-
Current Rent Arrears			-	-	-	-	-	-	-
Billing			-	-	-	-	-	-	-
Record Management			-	-	1	-	-	-	-
Refunds			-	-	-	1	-	-	-
Write Offs			1	-	-	1	-	-	-
Former Tenant Arrears			1	-	-	-	-	-	-
Credit Balances			-	-	-	-	-	-	1
Debt Monitoring			-	-	-	-	-	-	1
Separation of Duties			-	-	-	1	-	-	-
Transfers to Sundry Debt			-	-	-	1	-	-	-
Recommended Action Override			-	-	-	-	-	1	-
Balance Transfer between Tenancies			-	-	-	-	-	1	-

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Essential</b>	<b>Write Offs</b> - Testing highlighted that some write offs processed on the Housing Rents computer system were not recorded on the corporate authorisation write off document. It was determined that these errors occurred as a result of work completed by

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
	<p>temporary staff in 2018, which had been inadvertently duplicated. These errors have now been resolved.</p> <p>Discussions revealed that there were a small number of users, with access permissions to create write offs, who could input and authorise their own write offs. There was no system barrier that stopped them from doing so; it is only policy and procedure that write offs require authorisation. Testing of write offs that had been requested under the current corporate process found that 10/10 of the sample had been completed with the appropriate authorisation before being actioned.</p> <p>A reconciliation process will be introduced, with immediate effect, to regularly compare the Write Off report from the computer system with the Corporate process, currently in place, to ensure all write offs are following the authorisation procedures.</p>
<b>Essential</b>	<p><b>Former Tenant Arrears</b> - Discussions with officers and analysis of former tenant arrears data found that there was a misunderstanding between teams as to who should be leading on pursuing these debts since July 2018. Discussions have now taken place to establish responsibility and a process for pursuing debts to ensure that they are regularly reviewed. Work has also been carried out to review all the older debts and start the appropriate recovery action.</p>
<b>Previous Important</b>	<p><b>Credit Balances</b> – Credit balances were tested to ascertain what action had been taken and whether these credit balances were subject to regular review. It was found that these credit balances were only reviewed when there was capacity to do so. Testing found that some of the balances had been stagnant since the tenancies terminated. The reasons for the credits were a mixture of the tenant overpaying their rent and prematurely ending their tenancy; or failure to cancel their direct debit once their tenancy had ended. Consideration will be given to expanding what type of accounts are reviewed along with the appropriate frequency of review. The service completed a review of the full list of accounts with credit balances at the time of the audit.</p>
<b>Previous Important</b>	<p><b>Debt Monitoring</b> - No process had been made to redesign the debt monitoring process to better track the level of debts at each stage of the process. This is now scheduled for 2020 when the new Housing system is implemented.</p>
<b>Previous Important</b>	<p><b>Recommended Action Override</b> – The Housing system recommends actions to carry out when a tenant falls into arrears. If this action is ignored by the Housing Officer a note should be made on the account explaining why. Testing found that 4/10 had been overridden by an officer without providing clarity on why the recommendation was ignored.</p>
<b>Previous Important</b>	<p><b>Balance Transfer between Tenancies</b> - Where a tenant moves properties, any outstanding rent or associated debts should be transferred with the tenant and included in the new tenancy agreement. Testing found that 3/5 new tenancies selected did not include details of previous arrears.</p>

<b>Audit Title</b>	<b>Procurement</b>	<p><b>Overview of Subject:</b> The Authority has introduced new Procurement and Contract Procedure Rules with effect from October 2019. This audit was carried out in accordance with the Rules which require that the Internal Audit team test a sample of suppliers above and below the prescribed significant value threshold on an annual basis. The findings were then reviewed in a wider context, along with the Procurement Team, examining the roll out and impact of the new rules. A presentation on the full review will be provided at the committee meeting.</p>
<b>Report Number</b>	<b>1187</b>	
<b>Year of Audit</b>	<b>2019/20</b>	
<b>Type of Work</b>	Corporate Assurance Work (Wider Work)	
<b>Assurance Opinion Given</b>	<b>N/A</b>	
<b>Errors Found</b>	No	

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Important</b>	<b>Financial tool</b> - A new financial application tool has been introduced in order that all services can view the spend with their suppliers more easily. The training is being undertaken throughout the Authority. A small number of services had not received full training at the time of this audit. The training is programmed to be completed in the near future.
<b>Important</b>	<b>Budget Monitoring</b> - Budgets are monitored during the year by the Finance Department and Budget Holders should have regular meeting to discuss budget levels and provisions. Some Managers did not meet regularly with their Finance Business Partner. Where a Manager has the responsibility for an area of spend meetings will be held regularly based on the frequency and level of the spend.
<b>Important</b>	<b>Cost Centre Responsibility</b> – The responsibility for specific areas of spend are allocated to Directors, Heads of Service, and Managers. Some Officers have queried some of the budgets allocated to them. A system to review these exceptions will be carried out.
<b>Important</b>	<b>Authorisation of Spend</b> – As part of the audit a number of Officers who authorise spend were asked to verify that they were supplied with the appropriate information to justify the spend. Two instances were highlighted where inadequate information had been supplied. Authorisers will be reminded that they should obtain adequate documentation to support the spend before they authorise any requests.
<b>Important</b>	<b>Market Testing</b> – Where a supplier has been used for a number of years a degree of market testing should be carried out to ensure that the Authority is still obtaining value for money. Also, the Procurement Rules detail that local suppliers should be considered where possible. There were some instances where a supplier had been used for a period of time as the Department was receiving a

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
	service that they perceived to be good value for money and appropriate for their needs. Services should test the market on a regular basis to verify whether an alternative supplier has appeared on the market that could be used resulting in further financial savings for the Authority.
<b>Important</b>	<b>Local SME classification</b> - A decision will be taken as to whether new supplier set up should be capturing the Head Office or a local satellite of the company when assessing whether it is a local small or medium enterprise (SME).
<b>Important</b>	<b>Procurement Log</b> – The database of procurement purchases should be expanded to capture whether a local SME was invited to tender as well as if the winning supplier was a local SME.
<b>Important</b>	<b>Supplier Categorisation</b> – A review of the supplier categories currently used on the finance system will be undertaken to allow easier analysis of the type of suppliers which are relevant to the local SME review. These categories will then be made available in the financial analysis tool.
<b>Important</b>	<b>Capturing New supplier information</b> – A review of the new supplier form process will be carried out to make sure that information is always being captured accurately, including when a supplier moves from temporary to permanent supplier status. This will be carried out as part of the implementation of the new finance system.
<b>Important</b>	<b>Value for Money versus Risk and budget constraints</b> – Further guidance is to be produced on how value for money of a purchase should be balanced against the budget available and the risk associated with that type of supply.
<b>Important</b>	<b>Training</b> – The next stage of training should be rolled out and focus on contract management and negotiation skills.

<b>Audit Title</b>	<b>CCTV Control Centre</b>	<p><b>Overview of Subject:</b> A review of CCTV operations which fall within the remit of Gosport Borough Council (GBC) has been carried out as part of the GBC 2019/20 Audit Plan. As the CCTV Control Centre (Public Open Spaces Network) is delivered in partnership with Fareham Borough Council (FBC), the conclusions from the audit provide some assurances for FBC too.</p>
<b>Report Number</b>	<b>1186</b>	
<b>Year of Audit</b>	<b>2019/20</b>	
<b>Type of Work</b>	Systems review by partner's audit service	
<b>Assurance Opinion Given</b>	<b>None Given</b>	
<b>Direction of Travel</b>	Not applicable	
<b>Errors Found</b>	No	

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
Public Open Spaces Fixed Network partnership arrangements			-	-	-	-	-	-
Inspection by Investigatory Powers Commissioner			-	-	-	-	-	-
CCTV signage for control room cameras			-	-	-	-	-	-
Roles, responsibilities and processes (including that privacy will be respected and appropriate access control arrangements)			-	-	-	-	-	-
Control room staff training and Security Industry Authority (SIA) Licensing			-	-	-	-	-	-
Data Protection Impact Assessment for Control Room			-	-	-	-	-	-
Police use of CCTV Images			-	-	-	-	-	-
Retention period for CCTV images			-	-	-	-	-	-
Secure Storage of CCTV Images			-	-	-	-	-	-

<b>Audit Title</b>	<b>Deceased List Process Follow Up</b>	<p><b>Overview of Subject:</b> The Council is informed of deceased residents via various sources, including the Department of Work and Pensions 'Tell Us Once' service; Hampshire County Council; members of the public; relatives; and solicitors. In a review carried out in 2015 it was found that the different departments, within the council, dealing with deceased notifications were following a manually intensive system, which on occasion resulted in duplicated efforts, and some notifications that were not shared with other departments.</p> <p>This audit looked at ways of streamlining the processes and reducing the risk that Council correspondence is sent out in the name of a deceased person. Although only 1 of the original proposals were found to have been implemented, the review identified a revised approach that would still address the issues.</p>
<b>Report Number</b>	<b>1190</b>	
<b>Year of Audit</b>	<b>2019/20</b>	
<b>Type of Work</b>	Thematic Review	
<b>Assurance Opinion Given</b>	<b>None Given</b>	
<b>Direction of Travel</b>	N/A	
<b>Errors Found</b>	N/A	

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Important x 2</b>	<b>Internal Database and Notifications</b> – The on-line notification database will be amended to capture all changes that have been notified to the council and used as the source to notify other departments of the deceased person. The requested amendments will be made to the notification form and a summary of the revised process will be published on the staff intranet, along with a link to the new form. Any team that receives a notification of death from any method, other than the automatically generated notification, will now complete the online form in order to notify all other departments and to record the death on the database.
<b>Important</b>	<b>Sources of Information</b> - There are other sources of information coming into the Council which do not get fed into the database listing that is sent to other departments, including the Hampshire County Council list of Fareham notifications, which is considered a more robust list. Therefore, the Hampshire County Council list of Fareham notifications will now be added to the online form that will be auto emailed to each of the required departments, as per the list of generic emails currently stored for every necessary department. The lead service nominated to carry out this task has been agreed such that other services no longer need to duplicate the task.
<b>Important</b>	<b>Training</b> - Managers will train their relevant teams on the new notification process if they are considered to be a main recipient of the notifications of a deceased person.

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

<b>Important</b>	<b>Change in Circumstances Form</b> – A similar process to the notification of deaths will be implemented for the change in circumstances, using a second online form, that covers any other change in detail for a customer, for example a change of address or name.
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<b>Audit Title</b>	<b>Disabled Facilities Grants- Grant certification 18/19</b>	<p><b>Overview of Subject:</b> Funding for <b>Disability Facility Grants</b> is paid by the Ministry of Housing, Communities and Local Government (MHCLG) to Hampshire County Council under the Better Care Fund. Hampshire County Council pass this over to the district councils as an annual grant allocation. The Government also allocated additional Disabled Facility Grant funding directly to District Councils. The total amount awarded during 18/19 was approximately <b>£780,000</b>. The purpose of the grant is to enable vulnerable individuals to stay living independently within their own home, preventing homelessness or moving unnecessarily.</p> <p>The Fareham BC Disability Facilities Grant Service is now part of the Environmental Health Partnership with Gosport Borough Council and is administered by Portsmouth City Council. Portsmouth receive approve and complete all applications on behalf of Fareham and invoice quarterly for the cost of Grants paid out plus an administration fee.</p> <p>This audit involved carrying out the necessary checks to allow the grant allocation certificate to be returned to the MHCLG and following up any recommendations made in the 2018/19 systems review.</p>
<b>Report Number</b>	<b>1189</b>	
<b>Year of Audit</b>	<b>2019/20</b>	
<b>Type of Work</b>	Certification (wider work)	
<b>Assurance Opinion Given</b>	<b>None Given</b>	
<b>Direction of Travel</b>	N/A	
<b>Errors Found</b>	N/A	

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
<b>Essential</b>	<b>Transfer and Retention of Files</b> – Grant files are transported from Portsmouth City Council to Gosport Borough Council for scanning. There is a no checklist provided to ensure that all the files sent are received and scanned. A checklist is going to be introduced as a matter of priority to enhance the security of the transfer of data from one Authority to the other.
<b>Essential</b>	<b>Budgetary Control and Monitoring</b> - At the time of the audit the figures supplied by Portsmouth city Council did not agree to the reconciliation figures supplied to Fareham Borough Council. Further enquiries found that prepayments and accruals had not been included in the Portsmouth figures. A new approach has now been agreed to include the regular reconciliation and monitoring of the Disabled Facility Grant.
<b>Important</b>	<b>Repayments</b> – The audit reviewed the Fareham Borough Council Policy to not place a charge on any property subject to a Disabled Facility Grant; this means that if the property was sold within a ten year period following the issue of the grant the council would not be able to claim back any of the monies. This policy has now been changed and a system has been put in

<b>Weaknesses identified during the audit and the proposed action (Essential and Important only)</b>	
	place and as from 01/01/2020 Disabled Facility Grants will be logged on the Land Charges Register.
<b>Previous Essential</b>	<b>Disabled Facility Grant Agreement</b> – The previous audit noted that there was no formal contract between Fareham and Portsmouth City Council; this remains outstanding. This is being followed up by the Environmental Health Partnership.
<b>Previous Important</b>	<b>Scanning and storage of Documentation</b> – It was previously recommended that all Disabled Facility Grant files should be scanned and stored at the earliest opportunity. Two files out of a sample of 10 were not found to have been scanned to the appropriate location on the Authority’s computer system. One file was subsequently found awaiting to be scanned, and had been so for several months, however, the other file was not located. New procedures are to be introduced to ensure that files are recorded and scanned promptly.

**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 March 2020

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

**Subject:** ANNUAL REPORT OF THE COMMITTEE

#### SUMMARY

This report summarises the work carried out by the Audit and Governance Committee during 2019/20 and proposes the programme of work for 2020/21.

#### RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee: -

- a) notes the contents of the report; and
- b) submits the work programme for 2020/21, as shown in [Appendix C](#), to Council for endorsement.

## INTRODUCTION

1. This annual report summarises how this Committee has performed during 2019/20 in relation to the purpose and functions set out in the constitution.

## COMMITTEE ORGANISATION 2019/20

2. The Committee continued to operate this year in accordance with best practice as detailed in the Chartered Institute of Public Finance and Accountancy (CIPFA) publication "Audit Committees – Practical Guidance for Local Authorities". One exception is that the Vice-chairman is also an Executive member. This was reviewed during an audit of the Audit Committee arrangements and was not considered a significant problem due to a) the difference between the decision-making and governance roles is well understood and, b) the chairman of the Committee is not also the chairman of the Executive or any Scrutiny Panels.
3. The Committee met four times in the year and reported directly to the Council. It was comprised of seven members who reflect the political balance of the Council. The committee was supported in its work by the Deputy Chief Executive Officer and Section 151 Officer.

## COMMITTEE ACTIVITY IN 2019/20

4. The work being carried out by the Committee to fulfil its responsibilities is reported as a work programme to each Committee and is summarised in [Appendix A](#). The full list of the functions of the Committee is given in [Appendix B](#).
5. The following points should be noted:
  - (a) The Committee was not requested to review any issues by the Chief Executive Officer, any director or Council body during the year.
  - (b) There were no issues arising from the review of the Statement of Accounts and subsequent external audit report that the Committee felt needed to be brought to the attention of the Council.
  - (c) The Committee requested further information to be provided in respect of:
    - How the Council manages its cyber security risks (provided November 2019)
    - The work carried out by the Committee in relation to the functions of the Committee (provided March 2020)
    - The first-year review of working to the new Procurement and Contract Procedure Rules (provided March 2020)
    - Proposals to address audits from older plans that have not been finalised (provided March 2020)
    - Procedures available for members to request items to be considered at a meeting (provided as Appendix D to this report)
6. All reports in the original work programme were presented to the Committee, with the exception of the Anti-Bribery Policy (which has been delayed to the July 2020 meeting) and the Counter Fraud Policy (which was postponed making room for the Cyber Security presentation).

7. There were three pieces of work carried out by the Committee in addition to the original work programme set in March 2019 which are listed below:

<b>November 2019</b>	Cyber Security Presentation
<b>March 2020</b>	The first-year review of working to the new Procurement and Contract Procedure Rules
<b>March 2020</b>	Review of Members' Training and Development

### **TRAINING EVENTS**

8. There were no specific training events for the Members of the Committee during 2019/20. However, the full programme of planned and delivered training for members will be presented as a separate report to the March Committee, and annually thereafter.

### **WORK PROGRAMME 2020/21**

9. The proposed work plan for the Committee for 2020/21 is attached as [Appendix C](#).

### **RISK ASSESSMENT**

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

### **CONCLUSION**

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

### **Appendices:**

[Appendix A](#) – Work carried out in 2019/20 in support of the functions of the Committee

[Appendix B](#) – Functions of the Audit and Governance Committee

[Appendix C](#) – Proposed Work Programme for 2020/21

Appendix D – Flow chart of procedures available for members to request items to be considered at a meeting (Separate document)

**Background Papers:** None

**Reference Papers:** Minutes of and reports to Audit and Governance Committee for the Municipal Year 2019/20

CIPFA Publication – Audit Committees – Practical Guidance for Local Authorities and Police (2018)

### **Enquiries:**

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

## Work carried out in 2019/20 in support of the Functions of the Committee

Function	Work Completed
Overall Purpose and Accountability	Quarterly reviews of the work programme Review of the Functions of the Committee Annual Report of the Committee
Corporate Governance and Annual Governance Statement	Review of Annual Governance Statement
Risk Management and Internal Control	Six-Monthly risk management monitoring reports Presentation on Cyber Security The first-year review of working to the new Procurement and Contract Procedure Rules
Value for Money	<i>No work completed</i>
Counter Fraud	Counter Fraud Annual Report
Partnerships	<i>No work completed</i>
Internal Audit	Internal Audit Annual Plan Head of Audit's Annual Opinion Report Quarterly Internal Audit Progress Reports
External Audit	Annual External Audit Letter Annual Certification Report External Audit Annual Plan and Fee
Financial Reporting	Review of the Statement of Accounts 2018/19 External Audit – Audit Results Report
Standards and Ethics	Annual Ombudsman Reports and Overview of Complaints against members Review of Members Training and Development Programme
Treasury Management	Treasury Management Progress Report Treasury Management Strategy and Indicators
Key Policy Review	Annual review of the Constitution Full Review of Financial Regulations Proposed Changes to Procurement and Contract Procedure Rules The first-year review of working to the new Procurement and Contract Procedure Rules
Considering Other Matters Referred to the Committee	<i>No work completed</i>



**Part 2 Chapter 8 of the Constitution - Functions of the Audit and Governance Committee**

<b>OVERALL PURPOSE</b>
<p>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.</p> <p>The purpose of our audit committee is to:</p> <p>Provide independent assurance to those charged with governance (the Full Council) of the adequacy of the risk management framework and the internal control environment.</p> <p>Provide independent review of Fareham Borough Council’s governance, risk management and control frameworks and oversee the financial reporting and annual governance processes.</p> <p>Oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.</p>
<b>ACCOUNTABILITY</b>
<p>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.</p> <p>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.</p>
<b>GOVERNANCE, RISK AND CONTROL</b>
<b>Corporate Governance</b>
<p>The Audit and Governance Committee's areas of responsibility for Corporate Governance are: -</p> <ol style="list-style-type: none"> <li>a) To review the Council's arrangements for corporate governance, against the good governance framework, including the ethical framework, and consider the local code of governance.</li> <li>b) To consider the council’s framework of assurance and ensure that it adequately addresses the risks and priorities of the council.</li> </ol>
<b>Annual Governance Statement</b>
<p>To review the Council's Annual Governance Statement, prior to approval, and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit’s opinion on the overall adequacy and effectiveness of the council’s framework of governance, risk management and control.</p>
<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> <ol style="list-style-type: none"> <li>a) To monitor the effective development and operation of risk management in the Council.</li> <li>b) To monitor progress in addressing risk-related issues reported to committee.</li> <li>c) To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.</li> </ol>

<b>Value for Money</b>
To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
<b>Counter Fraud</b>
The Audit and Governance Committee's areas of responsibility for counter fraud are: - a) To review the policies and measures in place to prevent fraud and corruption. b) To review the assessment of fraud risks and potential harm to the council from fraud and corruption. c) To monitor the counter-fraud strategy, actions and resources.
<b>Partnerships</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</b>
<b>Internal Audit</b>
The Audit and Governance Committee's areas of responsibility for Internal Audit are:- a) To approve the internal audit charter. b) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations. c) To approve the risk-based internal audit plan, including internal audit's resource requirements and the approach to using other sources of assurance and any work required to place reliance upon those other sources. d) To approve significant interim changes to internal audit plan and resource requirements. 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. 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. 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: <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>• Reports on the results of the Quality Assurance and Improvement Plan (QAIP)</li> <li>• conformance to the Public Sector Internal Audit Standards considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement, and whether this affects the reliability of the conclusions of internal audit.</li> </ul> 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. i) 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. j) 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>External Audit</b>
The Audit and Governance Committee's areas of responsibility for External Audit are:- a) 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).

<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>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 (the Full Council) on issues arising from the audit of the accounts.</p>
<p><b>WIDER FUNCTIONS OF THE AUDIT AND GOVERNANCE COMMITTEE</b></p>
<p>The Audit and Governance Committee is responsible for carrying out wider functions for the Council in relation to:</p> <p>a) Standards and ethics</p> <p>b) Treasury management</p> <p>c) Key policy review</p> <p>d) Considering other matters</p>
<p><b>Standards and Ethics</b></p>
<p>The Audit and Governance Committee's purpose is also to:</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' interests</li> <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>

- i) Appoint such sub-committees, panels or working parties as are deemed appropriate to undertake specific parts of these Terms of Reference.
- j) Consider complaints against members' conduct and assess allegations of breaches of the Code of Conduct for Members to determine such complaints.
- k) Monitor and review members' training and development.
- l) To establish a Standards Sub-Committee to investigate and determine appropriate actions in respect of alleged breaches of the Members' Code of Conduct.

#### Treasury Management

The Council nominates the Audit and Governance Committee to be responsible for ensuring effective scrutiny of the implementation of the Council's Treasury Management Strategy and Policy.

#### Key Policy Review

The Audit and Governance Committee is responsible for reviewing and making recommendations to Council on its Constitution including Financial Regulations and Procurement and Contract Rules.

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.

#### Considering Other Matters Referred to the Committee

Occasionally the Audit and Governance Committee may be requested to review an issue referred to it by another committee or a statutory officer.

## WORK PROGRAMME FOR 2020/21

Committee Function and Report Subject		Frequency	Last Covered	July 2020	September 2020	November 2020	March 2021
<b>OVERALL PURPOSE AND ACCOUNTABILITY</b>							
Review of Work Programme and training plan		Quarterly	2019-20	YES	YES	YES	YES, and Annual Report
Review of the Functions of the Committee		3 yearly	2019-20				
<b>GOVERNANCE, RISK AND CONTROL</b>							
Corporate Governance & Annual Governance Statement	Local Code of Corporate Governance	As needed	2016-17				
	<b>Annual Governance Statement</b>	Annual	2019-20	YES			
Risk Management	Policy	As needed	2016-17				
	<b>Risk Management Monitoring Reports</b>	6 monthly	2019-20		YES		YES
	Business Continuity	3 yearly	2018-19				
	Specific Risk Management topics	As needed	2019-20 (cyber security risks)				
Value for Money	Specific VFM studies	As needed	None				
Counter Fraud	<b>Counter Fraud Policy and Strategy</b>	3 yearly	2016-17			YES	
	<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	YES			
Partnerships	<b>Partnership Governance Report</b>	As needed	NEW		YES		
<b>AUDIT</b>							
Internal Audit	Internal Audit Strategy	3 yearly	2018-19				
	<b>Internal Audit Annual Plan</b>	Annual	2019-20				YES
	<b>Internal Audit Progress Report</b>	Quarterly	2019-20	YES	YES	YES	YES
	<b>Head of Audit's Annual Opinion</b>	Annual	2019-20	YES			
External Audit	Update on Arrangements for Appointment of External Auditors	As needed	2018-19				

Committee Function and Report Subject		Frequency	Last Covered	July 2020	September 2020	November 2020	March 2021
	Annual Plan and Fee	Annual	2019-20				YES
	Annual Audit Letter	Annual	2019-20		YES		
	Annual Certification Report	Annual	2019-20				YES
	Specific reports from inspection agencies	As needed	2018-19 (RIPA)				
<b>FINANCIAL REPORTING</b>							
Statement of Accounts		Annual	2019-20	YES			
External Audit – Audit Results Report		Annual	2019-20	YES			
<b>WIDER FUNCTIONS OF THE COMMITTEE</b>							
Standards and Ethics	Review of Code of Conduct for Members	As needed	2015-16				
	Review of member / officer protocol	As needed	2008-09				
	Annual Ombudsman Reports and Overview of Complaints against members	Annual	2019-20		YES		
	Review of Members Training and Development Programme	Annual	2019-20				YES
Treasury Management	Treasury Management Strategy and Indicators	Annual	2019-20			YES	YES - Policy and indicators
Key Policy Review	Annual Review of the Constitution	Annual	2019-20			YES	
	Review of Financial Regulations	3 yearly	2019-20				
	Review of Procurement and Contract Procedure Rules	3 yearly	2019-20				YES
Other Matters referred to the Committee	Updates on legal issues	As needed	2017-18				
	Issues referred by the Chief Executive Officer, Directors and Other Council Bodies	As needed	None				
Number of Items				8	6	5	9

Appendix D – Flow chart of procedures available for members to request items to be considered at a meeting



I have an idea

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Democratic Services are happy to assist in order to determine the best audience for your topic to be discussed with Members

Request that topic be added as an item to a meeting agenda

If you are not a Member of the Panel or Committee you can discuss your topic with the Chairman.

Any Member of the Council has the right to request an item be considered. This must be in consultation with the Chairman who will have final say as to whether an item is added to an agenda.

If you are a Member of the Panel or Committee you can raise your topic to be considered during the meeting.

At every meeting within the Committee Structure there is the opportunity for Members of that Panel or Committee to suggest items to be added to a future agenda for consideration. This must be in consultation with the Chairman who will have final say as to whether an item is considered.

Give notice of Motion to Council

Once a Motion has been debated. Council can recommend that it be closed or referred to a Scrutiny Panel or Committee for consideration.

**Executive Function - Motion referred to Scrutiny Panel**  
The mover of the motion has the right, as per the Council's Standing Orders, to attend and speak at the meeting for which their motion has been referred. The Scrutiny Panel can make a recommendation to the Executive or recommend that the motion be closed.

**Non-Executive Function - Motion referred to a Committee**  
The mover of the motion has the right, as per the Council's Standing Orders, to attend and speak at the meeting for which their motion has been referred. The Committee can make a recommendation back to Council or recommend that the motion be closed.





# FAREHAM

## BOROUGH COUNCIL

### Report to Audit and Governance Committee

**Date:** 23 March 2020  
**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 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 Audit and Governance 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 F) 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 November and December 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 the last report	Managers Interviewed for THIS report
Head of Development Management (LS) Head of Building Control (JS) Head of Building Repairs and Maintenance (KW) Head of Housing and Benefits (CN) Head of Finance and Audit (EH) Welborne Strategic Lead (SW) Affordable Housing Strategic Lead (RL) Managers from Human Resources and ICT	Director of Leisure and Corporate Services (LA) Web and Social Media Manager (MP) PR and Marketing Manager (JL) Leisure and Community Manager (EW) Customer Service Manager (AR) Head of Environmental Health (IR) Head of Street Scene (MB) Head of Democratic Services (LU) Head of Coastal Partnership (LC & JR) Head of Property Services (GH) Welborne Strategic Lead (SW) Planning Strategy Manager (GW)  <u>Postponed to Next Cycle as change of post</u> Economic Development and Regeneration Strategic Lead (CB)

4. Additional discussions were held with other Senior Managers on specific risks, where they were the lead officer for the risk being documented.

## STRUCTURE OF THE EVIDENCE GATHERED

5. Detailed notes were taken of each discussion. The topics of the discussion are listed in Appendix A. Examples were then taken from the discussions for use to demonstrate that risk management activity is happening. These are summarised in the other appendices using 3 evidence themes of:
  - (a) Appendix B - Risks where action is *still needed*
  - (b) Appendix C - New actions taken *reacting* to risks or incidents
  - (c) Appendix D - New actions taken *anticipating* risks or opportunities
  
6. 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: Examples of Actions Taken REACTING to Risks or Incidents (CONFIDENTIAL APPENDIX)

Appendix F: FBC Risk Management Policy

**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
Leisure and Corporate Services	<p><u>Featured</u></p> <p><a href="#">New Community, Arts &amp; Entertainment Venue (UPDATE)</a></p> <p><a href="#">Compliance with Website Accessibility Legislation</a></p> <p><a href="#">Managing Fake News</a></p> <p><a href="#">Loss of IT systems</a></p> <p><a href="#">Protestors and Media coverage at council locations</a></p> <p><a href="#">Suitable Venues for Election Count (UPDATE)</a></p> <p><a href="#">Community Building Review</a></p> <p><a href="#">Responding to the Climate Change Agenda</a></p> <p><u>Others Discussed</u></p> <p>Ensuring adequate consultation on the Local Plan</p> <p>Managing public relations over issues arising in the year (e.g. delay in Daedalus open space)</p> <p>Managing disruption at public consultation events</p> <p>Disgruntled customers in the building</p> <p>GDPR and Online Forms</p> <p>Management of the Fareham Heathens pavilion</p> <p>Members of the public/ tenant customers</p> <p>Achieving the vision for the Access all areas events</p> <p>Project risks for the VE day event</p> <p>Community Grants and Youth activity fund achieve their vision</p> <p>Migration of websites into the cloud</p> <p>Maximising communication of deceased person notifications</p> <p>Print and post project – maximising outgoing post reductions</p> <p>Risk of the CSC safe failing</p>
Environmental Health & Parking	<p><u>Featured</u></p> <p><a href="#">Responding to the Air Quality Directive</a></p> <p><a href="#">Transfer of On Street Parking</a></p> <p><a href="#">See Confidential Appendix</a></p> <p><a href="#">Impact of Loss of Uber Licence in London</a></p> <p><u>Others Discussed</u></p> <p>Managing impact of loss of Licensing Manager and failure to recruit</p> <p>Community Safety capacity issues within the team due to vacant post</p> <p>Capacity Issues in Partnership versus internal control expectations</p> <p>Environmental Health Partnership risk if Gosport BC choose not to continue when contract up for renewal. Impact of Portsmouth CC management of Gosport BC.</p> <p>Osborne Road Multi Story Car park structure – On going inspection regime and potential loss of income if need to replace it</p> <p>Town Centre patrols to deal with begging risks and use of car parks by the homeless.</p>

Service Manager (s)	Subjects discussed
	<p>Food Standards Agency – Big companies self-auditing proposal now watered down. There have been changes but these appear to be sensible and are working</p> <p>Dog boarding – Changes to the law causing additional work but appear to be working</p> <p>HMO Licensing – Rules around 2 or more families living in a property. Not identified lots more families that need licencing which was in line with expectations</p> <p>DFG/Land Charges – Currently not added to LC register but this will be done in future</p> <p>Parity Trust Home Improvement Loans – new process working in that applications coming in and the funds look healthy.</p>
Street Scene	<p><u>Featured</u></p> <p><a href="#">Workforce fit to Work</a></p> <p><a href="#">Pedestrian Access at the depot</a></p> <p><a href="#">Littering on Motorway junction</a></p> <p><a href="#">Implementing the Governments Waste and Recycling Strategy (UPDATE)</a></p> <p><a href="#">Impact of HCC Waste Management Changes</a></p> <p><u>Others Discussed</u></p> <p>Addressing risk of Loss of Knowledge and Resilience in the team</p> <p>Impact of new housing developments, including Welborne, on waste collection service</p> <p>Waste collection round rebalancing</p> <p>HGV driver recruitment and retention</p> <p>Problems with refuse vehicle access in new developments</p> <p>Impact of the change in Hedge Cutting provision</p> <p>Additional controls introduced to manage exclusive right of Burial</p> <p>Review of Cemeteries fees and charges (to maximise income)</p> <p>Maintenance standards in public toilets</p> <p>Financing the Vehicle replacement Programme</p> <p>Resource impact of adopting additional land around the borough</p>
Democratic Services (and ICT)	<p><u>Featured</u></p> <p><a href="#">New Community, Arts &amp; Entertainment Venue (UPDATE)</a></p> <p><a href="#">Implementing Canvass Reform</a></p> <p><a href="#">Preventing the New Procurement Rules resulting in inappropriate spending behaviours (UPDATE)</a></p> <p><a href="#">Robust Data Storage Solutions</a></p> <p><a href="#">Loss of IT systems</a></p> <p><a href="#">Unscheduled Elections &amp; Referendums</a></p> <p><a href="#">Suitable Venues for Election Count (UPDATE)</a></p> <p><a href="#">Maintaining the Quality of decision making (UPDATE)</a></p> <p><a href="#">Finalising the Welborne Planning Application (UPDATE)</a></p> <p><u>Others Discussed</u></p> <p>Local Government Boundary Review – due by 2024. The volume of new builds within certain areas of the borough has resulted in an imbalance in the electorate across the wards.</p> <p>Legal Contract – due for renewal March 2021</p> <p>Freedom of Information (UPDATE) – Vanguard review underway, 863 responses provided in</p>

Service Manager (s)	Subjects discussed
	<p>18/19</p> <p>GDPR (<a href="#">UPDATE</a>) – We have completed several Data Protection Impact Assessments, and these are now an ongoing embedded part of proceedings.</p> <p>Preparation for death of a senior royal. (<a href="#">UPDATE</a>) – Protocol in place.</p>
Coastal Partnership	<p><u>Featured</u></p> <p><a href="#">The North Solent Shoreline Management Plan (NSSMP)</a></p> <p><a href="#">Climate Change Champions- Trying to instil a healthy coastline.</a></p> <p><u>Others Discussed</u></p> <p><b>Partnership risk register</b> is available and reviewed quarterly. All key Service and Partnership related risks are included.</p> <p><b>The Environment Agency 6-year allocation for flood defences finishes in 20/21.</b> If there will be another 6-year announcement no one really knows. The floods in Doncaster have kept flood risk on the political agenda. We are waiting for the spending review to see what happens next. The risk is a lot of our coastline is habitat protection. The Government's mission is to save people's lives and property.</p> <p><b>The Geomatic Service</b> – Purchased 2 x drones for aerial photography and surveys which has resulted in saving an immense amount of man hours. E.g. 15-minute drone surveys used to take a 2-man team a couple of hours.</p> <p><b>Tidal exchange on Hook Lake.</b> FBC do not have to contribute. Solent Breezes is on the corner of this site. Update – awarded grant to complete a Habitat creation study. We will be claiming the grant up front and delivering over the next two years as part of the Habitat Compensation programme.</p> <p><b>Beach Management Plan</b> - waiting for the final outputs to be decided. This will not be a capital bid.</p> <p><b>New shared service agreement</b> - The current agreement is April 2012. This has been updated and is just being signed off by the legal teams. The point of interest is that it has a new clause that an internal annual partnership audit can be conducted by one of the Partnership Authorities as well as the annual financial protocol audit conducted by PCC.</p> <p><b>GDPR</b> - Cyber online training sessions for all staff.</p>
Property Services	<p><u>Featured</u></p> <p><a href="#">New Community, Arts &amp; Entertainment Venue (UPDATE)</a></p> <p><a href="#">Maintaining Rental Streams from Properties</a></p> <p><a href="#">Infrastructure Funding Review</a></p> <p><a href="#">Layout of Civic Offices Ground Floor (UPDATE)</a></p> <p><u>Others Discussed</u></p> <p>Activists at Daedalus</p> <p>Asset Management</p> <p>Landlord vs Tenant Obligations</p>
Welborne Strategic Lead	<p><u>Featured</u></p> <p><a href="#">Finalising the Welborne Planning Application (UPDATE)</a></p> <p><a href="#">Managing the Implications of the Welborne Planning Application including: (UPDATE)</a></p> <ul style="list-style-type: none"> <li>• <a href="#">Delivery of the housing requirements whilst maintaining Viability of the Scheme</a></li> <li>• <a href="#">Delivering Junction 10 of the M27</a></li> <li>• <a href="#">Stewardship and Maintenance Obligations</a></li> </ul>

Service Manager (s)	Subjects discussed
	<ul style="list-style-type: none"> <li>• Delivery of placemaking requirements</li> <li>• Ensuring adequate Health and Wellbeing facilities for the new community</li> <li>• Medium and Long-term impact on Service Provision of the new development</li> </ul> <p><u>Others Discussed</u></p> <p>CIL review and implications for the Viability review.</p> <p>Council achieves appropriate consideration for the cottages purchased in advance of the development.</p> <p>Provision of Railway Station – Use of Rail futures group to carry out feasibility study.</p> <p>Provision of Education - HCC deliberations including future land acquisitions.</p>
Planning Strategy	<p><u>Featured</u></p> <p>Failure to meet Housing Supply due to Nitrate Impact (UPDATE)</p> <p><u>Others Discussed</u></p> <p><b>Risk of the Local Plan not being sound or supported by Autumn 2020.</b></p> <p>By raising awareness, giving the public time to consult, and proposing future growth areas, all reduces the risk of challenge at the various stages of the publication and examination of the plan.</p> <p>Raising awareness and profile to senior members to ensure corporate support. Ensuring future growth areas are proposed and reduce the risk of challenge by ensuring correct consultation will happen.</p> <p><b>Loss of Key Staff</b> - If staff move on local knowledge will be lost.</p> <p><b>CIL Review</b> – Impact on receipts if developments are not coming through i.e. nitrates issue. Consultant currently reviewing charging schedule which will involve consultation with developers and submission to Government for examination. Risk that CIL review will not be completed in time for the Local Plan.</p> <p><b>Housing Delivery Test</b> – This is a new test that looks back over the past 3 years. We have asked Government via PfSH to reconsider as we are likely to fail this test in 2020. Small sites are likely to be pushed forward and we will need to incorporate a 20% buffer this would mean we have to grant permission for 624 new homes every year for the next 5 years.</p> <p><b>How Housing delivery is measured for the next 5 years</b> - Currently we need 520 new homes per year to meet our need. If our neighbouring authorities can't meet theirs then we can share via PfSH. In Autumn 2020 PfSH will share these out, which is about the time that we are proposed to submit our Local Plan. The risk is not taking our neighbours unmet need, but we are mitigating via proposing Strategic Growth Areas in the latest consultation.</p> <p><b>Playing Pitch Strategy</b> - This piece of ongoing evidence is suggesting that we don't have enough playing pitches for the future population. Not being able to identify sufficient sites may lead to an objection from Sports England which would need to be dealt with in the Local Plan examination.</p> <p><b>Studies on Environmental Impacts</b> – It's been identified that new residents will wish to travel to the New Forest for recreation. The New Forest is a protected habitat and the growth in Fareham would mean more cars and more exhaust emissions impacting on the sensitive site. We cannot grant permission to build new homes if we are not certain of the impact of the additional cars. The inspector will wish to see completed studies, certainty and mitigation of this risk.</p> <p><b>Open spaces and countryside</b> - New communities and areas will impact on refuse, amenities, parks, open spaces and the countryside. Population projections and modelling scenarios are needed and need to be visible in the Local Plan.</p>

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

Risk or Opportunity	Actions being taken
<p style="text-align: center;"><b>Meeting the Public’s Expectations in relation to Climate Change</b></p> <p>In 2008 the Government set a target to reduce emissions by 80% as part of the Climate Change Act. In June 2019, the Government announced it was setting a tougher goal of net-zero carbon by 2050.</p> <p>The year has seen commentary and demonstrations from new figure heads such as Greta Thunberg and Extinction Rebellion, as countries prepared for the U.N. Climate Summit in September, in which the progress being made towards the 2015 Paris Climate Change Agreement was discussed.</p> <p>A large number of Councils responded to the Climate Change debate by declaring a climate emergency; such that by July 2019 the Local Government Association and over 50% of Councils are believed to have made the declaration with a commitment to net-zero carbon by the earlier date of 2030.</p> <p>The Council therefore needed to be clear about its position in relation to Climate Change and needs to take appropriate actions to achieve its ambitions in relation to carbon neutrality. It also needs to plan for the future impact of Climate Change (e.g. coastal protection).</p> <p><b>There is a reputational risk that the Council is not seen to be meeting the expectations of residents, such that further demonstrations will occur.</b></p> <p><b>There is also potentially a long term financial and public protection risk if appropriate action is not taken to mitigate the effects of climate change.</b></p> 	<p><b>Members</b> – The Leader made an announcement at the Executive on 26/09/19 setting out the Council’s commitment to achieving carbon neutrality and the actions proposed to be taken.</p> <p><b>Members</b> – Emergency motions were debated at Full Council on 24/10/19 and 8 aspirations were agreed that the working group needed to take heed of in their proposed scope of work.</p> <p><b>Corporate</b> – A new priority to develop the action plan to achieve carbon neutrality has been added to the Corporate Strategy.</p> <p><b>Corporate</b> – A working group has been set up and a lead member and director appointed. A report is scheduled for the March Executive Committee to agree the scope of work for the Working Group; including work to:</p> <ul style="list-style-type: none"> <li>➤ understand then reduce the Council’s carbon footprint,</li> <li>➤ engage with residents and community groups to see how they can contribute to the green agenda;</li> <li>➤ understand and implement actions to increase Climate Change resilience and adaptations;</li> <li>➤ identify opportunities for working in partnerships with other councils.</li> </ul> <p><b>Corporate</b> – A new post of Climate Change Officer has been approved and an appointment made.</p> <p><b>Corporate Services (Communications)</b> – Monitoring posts on social media and Freedom of Information requests.</p> <p><b>Corporate</b> – Work has started to harness enthusiasm in services to contribute to the climate agenda. Examples include:</p> <ol style="list-style-type: none"> <li>a) In October 2018 the Council launched a campaign to reduce the use of <b>single use plastic</b> in the Borough. A number of actions have been taken including switching to re-useable water bottles for the December 2019 election.</li> <li>b) The approach to the new <b>Arts and Entertainment Venue</b> is underpinned by a robust sustainability strategy embracing low &amp; zero carbon technologies to minimise energy use.</li> <li>c) A draft <b>Housing Greener Policy</b> has been developed and reviewed by members.</li> <li>d) <b>The Coastal Partnership</b> have identified a Climate Change Champion and have regular Climate Change and Sustainability Boards which plans and identifies initiatives to addresses climate change in their daily, professional and business lives. Actions</li> </ol>




Risk or Opportunity	Actions being taken
	<p>include:</p> <ul style="list-style-type: none"> <li>➤ Implementing and embracing the role of climate change into the culture of the team.</li> <li>➤ Host 3-4 beach cleans a year.</li> <li>➤ Team moving away from use of plastics.</li> <li>➤ In the summer, the team took the wave machine to the Victorious event to help educate the community around the impact of climate change.</li> <li>➤ Since November, staff within the service have taken the pledge to interact with the public on the issue including visiting schools, local colleges and attending other events.</li> </ul> <p><b>The Local Plan team</b> have included additional climate change policies in the latest version the local plan, which meet advise issued by the Local Government Association.</p>
<p style="text-align: center;"><b>Layout of Civic Offices Ground Floor</b> <b>(UPDATE)</b></p> <p>It has been discussed in recent years that the current layout of the Civic Offices Ground Floor is not fit for purpose for either the Council or its tenants. Works are required to correct this.</p> <p><b>A key risk for the project would be that works are undertaken, and the new layout still doesn't meet requirements.</b></p>	<p><b>Property Services</b> – The team met with all users / stakeholders of the Ground Floor, including tenants of the Civic Offices and all Heads of Services and Directors to discuss their specific requirements. This has led to the development of several solutions that range from a simple redecoration to a complete remodelling.</p> <p><b>Property Services</b> – A final solution is being discussed and will be finalised with the Chief Executive Officer.</p>
<p style="text-align: center;"><b>Implementing the Government's Waste and Recycling Strategy - (UPDATE)</b></p> <p>In December 2018, the Department for Environment, Food and Rural Affairs (DEFRA) launched a policy "Our Waste, Our Resources: A Strategy for England". This sets out how we could preserve material resources by minimising waste, promoting resource efficiency and moving towards a circular economy in England.</p> <p>This was included as one of the sections in the Environmental Bill in 2018. Progress on the bill was delayed due to other government priorities but was re-announced in the October 2019 Queen's Speech. It is expected to come into force in April 2023.</p> <p>The proposals include separate food waste collection, and this will bring additional costs such as new vehicles and rounds. There may also be a</p>	<p><b>Street Scene</b> – Keeping up to date with the proposals by attending conferences, staying in touch with relevant bodies and gathering information.</p> <p><b>Street Scene</b> – Trying not to make any major decisions that have a financial implication until we know what is going to be expected of us as the collection authority.</p> <p><b>Street Scene / Project Team</b> – The waste management round rebalancing is still being investigated, currently favouring consultancy work rather than purchasing software. This is still required whilst we are awaiting an update on the waste strategy due to extensive development in the western wards making some rounds difficult to manage and to start planning for the impact of Welborne.</p> <p><b>Corporate</b> - Reviewing the studies commissioned by HCC on the different options for collecting and disposing of the different waste streams, and the implications for the numbers of vehicles needed.</p> <p><b>Corporate</b> – Participated in Leaders Conference in</p>



Risk or Opportunity	Actions being taken
<p>compulsory requirement to provide additional kerb side collections such as plastics, glass and a green waste service.</p> <p>The government may provide some financial compensation for additional costs relating to enforced changes. The funding will be based on whole system costs i.e. collection and disposal. This may cause issues around the split of responsibilities with Hampshire County Council (HCC), and it may be more cost effective to offer a Hampshire wide (joined-up) collection service.</p> <p>HCC may no longer need to provide MRF (Mixed Recycling Facility) as materials will have to be sorted at the roadside which is not only time consuming but can also cause safety issues. The impact of any changes will affect FBC, as the collection authority more than the disposal authority. However, this removes the problems with contamination in recyclable waste.</p> <p>The initial government proposal was to make garden waste collection free to residents with compensation paid to authorities for loss of revenue, but this may prove too expensive. Most other councils in Hampshire already operate a chargeable wheeled bin service for green waste.</p> <p>The Environment Bill is also proposing a make the “producer pay policy” e.g. manufacturers of plastic bottles to pay for their disposal. This may open up income channels to the collection authority.</p> <p><b>The risks associated with this Strategy are therefore:</b></p> <ol style="list-style-type: none"> <li>a) <b>Implementing the new collection rounds in time – including procuring new vehicles and new household bins and arranging new disposal arrangements.</b></li> <li>b) <b>Finding capacity at the depot for the new vehicles and resourcing the collection crews at a time when HGV drivers are already difficult to recruit.</b></li> <li>c) <b>Changes involve considerable additional costs which are not adequately compensated for, by the government.</b></li> <li>d) <b>Reputational damage and increase in complaints if the community are not in favour of the changes.</b></li> <li>e) <b>Agreeing potential approach and responsibilities with HCC at a time when the relationship is already changing.</b> (See risk – Impact of HCC Waste management</li> </ol>	<p>February 2020.</p> <p><b>HCC</b> – Plans to set up a super MRF for the whole county on hold, whilst agreements about the future of waste collection and disposal and the impact of the Environment Bill are clearer.</p> <div data-bbox="852 450 1437 790" data-label="Image"> <p>The image shows four recycling bins standing in a row on a grassy field under a blue sky. From left to right, the bins are blue (labeled 'PAPER'), green (labeled 'GLASS'), yellow (labeled 'PLASTIC'), and red (labeled 'METAL'). Each bin has a white recycling symbol on its front and is overflowing with its respective waste material.</p> </div>

Risk or Opportunity	Actions being taken
Changes)	
<p><b>Failure to meet Housing Supply due to Nitrate Impact (UPDATE)</b></p> <p>The National Planning Policy Framework (NPPF) requires Local Planning Authorities to identify and update annually a supply of specific deliverable sites to provide five years supply of housing against their housing requirements.</p> <p>The Local Plan is the tool for the five-year land supply and the current Local Plan lists the sites where houses will be built.</p> <p>In February 2019, Natural England highlighted that increased levels of nitrates entering the Solent (because of increased amounts of wastewater from new dwellings) is likely to have a significant effect upon the designated European Protected Site.</p> <p>All applications for new housing within the Borough require a Habitat Regulations Assessment addressing this issue. Where developers are not able to demonstrate that their proposals maintain or reduce the levels of nitrates leaving their site, mitigation measures will need to be identified.</p> <p>This is a new consideration so all proposed allocations will need to have a nitrates solution before the Local Plan is submitted. No planning permissions for new build dwellings have been issued in Fareham Borough since March 2019. There are currently over 2,220 homes stuck in the planning system either solely or principally relating to this issue.</p> <p>The next Local Plan is planned to be submitted in autumn 2020, a nitrates solution will be needed by then. Currently we are tasked with building 520 new homes this year, but this figure is reviewed annually by Government and could be increased. If our neighbouring authorities cannot meet their targets, we need to consider meeting their unmet need. This could increase our housing need by another 150 homes per year.</p> <p>Further actions being taken to manage these risks are provided.</p>	<p><b>Planning Strategy</b> – Weekly meetings between Planning Strategy, Development Management and Legal taking place to work through the issues. Regular discussions with neighbouring authorities, Natural England and Southern Water, in addition to monthly PfSH Water Quality Working Group.</p> <p>Project commissioned looking at the impacts of Fareham and Gosport Local Plan growth (jointly with Gosport).</p> <p>Leading on a review of the Integrated Water Management Strategy on behalf of PfSH.</p> <p><b>Corporate</b> – Ongoing liaison through PfSH involving the Leader, Chief Executive and Heads of Development Management, Planning Strategy, Legal Services to find a wider strategic solution.</p> <p><b>Housing</b> – Housing are developing mitigation options for Council Housing schemes involving retrofitting of the Council Housing stock with efficiency measures, such as dual flush toilets and a tap insert which will reduce the average water use per property. This could make homes more efficient and the reductions in water use in four properties would offset the additional water use in one new build.</p> <div data-bbox="847 1144 1481 1453" data-label="Chemical-Block"> </div>

Risk or Opportunity	Actions being taken
<p><b>Uncertainty around the Impact of Exiting the European Union (UPDATE)</b></p> <p>The government's bill to leave the European Union received royal assent in January 2020. The United Kingdom will now leave the European Union on 31 January 2020, with a withdrawal deal - and it will then go into a transition period that is scheduled to end on 31 December 2020. During this period trade negotiations will take place and a trade deal may or may not be agreed and ratified by the end of the transition period.</p> <p>Brexit lead officers (BLO) of local authorities have now been formally stood down from "Operation Yellowhammer" preparations for a no-deal scenario, due to the 'decreased likelihood' of the UK leaving the EU without a deal on January 31.</p> <p>The Council is therefore maintaining a watching brief on any potential risks and impacts that may arise during and after the transition period.</p>	
<p><b>Impact of Hampshire County Council Waste Management Changes</b></p> <p>The Council received a letter from the Director of Economy Transport and Environment at Hampshire County, regarding changes they were making as part of addressing their future funding gap.</p> <p>They proposed the following changes from 31 March 2021:</p> <ul style="list-style-type: none"> <li>a) Cease to pay recycling credits for glass and textiles recycled rather than sent to landfill, as agreed under the Project Integra contract.</li> <li>b) Recharge the cost of disposing of the contamination/non-recyclable material within their dry mixed recyclables deliveries.</li> <li>c) Retain the income from the sale of all MRF (Materials Recycling Facility) processed recyclables.</li> </ul> <p><b>These proposals give the risk of a financial cost of around £0.5m per year falling on the Council.</b></p>	<p><b>Corporate</b> – Joint response from the leaders of the Waste Collection authorities sent to HCC proposing a collaborative approach to changing processes that could result in cost savings to all parties. Joined up working may also attract greater funding when implementing the new Waste Strategy proposals. However, this would need HCC to delay the implementation of their proposals.</p> <p><b>Corporate</b> – HCC leader called a conference with all the leaders of the other councils, to discuss how they could work collaboratively and take cost out of the systems for all. This was scheduled for the end of February.</p> <p><b>Corporate</b> – Chief Executive Officers (CXOs) of FBC and Eastleigh BC assigned to lead on the discussions for the District Councils.</p> <p><b>Street Scene</b> – Briefing paper provided to the leader and executive. Included as a chairman's announcement at the Street Scene Scrutiny Panel.</p> 
<p><b>Infrastructure Funding Review</b></p> <p>The Council has a portfolio of commercial and operational land and properties. There are on-</p>	<p><b>Property Services</b> – A high level infrastructure funding review was completed in September 2019 on all land and buildings, except Council dwellings. The review covered a 30-year time frame and identified a capital</p>

Risk or Opportunity	Actions being taken
<p>going maintenance and improvement costs to ensure the value of the assets are maintained and that properties continue to meet market expectations for a property of that type.</p> <p>A full infrastructure funding review is therefore required on Council properties to understand what major works are likely to be required in future years. In particular, the Council needs to understand the financial impact of current and future Community Infrastructure Levy (CIL) monies being earmarked for the remodelling of Ferneham Hall.</p> <p><b>Without this work being completed there is a risk of a funding gap arising for planned and unplanned levels of work.</b></p>	<p>funding requirement of £196 million for refurbishing/re-provisioning existing assets, improving existing assets and aspirational investments.</p> <p><b>Property Services /Heads of Service</b> – Assets are being reviewed in detail by asset group. Following condition surveys, Heads of Service are being advised of any works required on assets specific to their service e.g. car parks, public conveniences, pavilions. This is identifying short to medium term maintenance requirements which will help inform the longer-term plan for making the best use of those assets.</p> 
<p style="text-align: center;"><b>Suitable Venues for Election Counts</b> <b>(UPDATE)</b></p> <p>With the closure of Ferneham Hall there is a risk that there is not a suitable venue within Fareham to hold the Election Count.</p> <p>The immediate risk was with the 12<sup>th</sup> December 2019 General Election, due to the Pantomime being due to start on Friday 13<sup>th</sup> December and the dress rehearsal scheduled for the day of the election. There are also Local Elections and an election for the Police and Crime Commissioner (PCC), scheduled for 7<sup>th</sup> May 2020. This will now take place at Fareham Leisure Centre, with a reserve venue of Holly Hill Leisure Centre.</p> <p><b>It is our statutory duty to provide a suitable count venue, in a secure manner.</b></p>	<p><b>Corporate</b> – December count arranged around the Panto Set at Ferneham Hall, as it was a familiar venue and the weather could have been inclement at that time of year which could have affected access at other venues. The team organised a suitable Venue set up that could cope with the stage being ready for the pantomime.</p> <p><b>Corporate Services</b> – Located a smaller screen and projector that could be used in the space available and carried out practice runs.</p> <p><b>Leisure Services (Ferneham Hall)</b> – Rearranged the usual Panto dress rehearsal timing to allow for the count to commence as required at 10pm and allowing time for the set up earlier in the day.</p> <p><b>Leisure Services</b> – Completed review of FBC community buildings and have decided that Fareham Leisure Centre is the only alternative option. This will be used for future elections. A layout has been agreed which uses different rooms for the polling station and he count. Meetings are being held with the operators to prepare for the May election.</p> <p><b>Corporate</b> – Action plan of issues that need to be resolved is being worked through including ICT infrastructure, traffic management, loading ramps and marshalling.</p> <p><b>Democratic Services</b> – A communication plan for all candidates and agents is being developed to ensure everything runs as smoothly as possible.</p>
<p style="text-align: center;"><b>Maintaining the Quality of the Decision-Making Process</b> <b>(UPDATE)</b></p> <p>The Council must maintain good governance and decision-making arrangements. <b>Without them</b></p>	<p><b>Democratic Services</b> – An implementation review is underway, and a report on the scrutiny panel arrangements will be presented to Chief Executive's Management Team (CXMT) at the end of March.</p> <p>In the meantime, a training session for CXMT and</p>

Risk or Opportunity	Actions being taken
<p><b>the Council can be at risk of a judicial review over decisions made, based on maladministration.</b></p> <p>Part of the process involves reports being ready by the required deadlines, so they can be adequately checked. If the reports are unable to be checked properly there is a risk that incorrect information could be published.</p> <p>We need to ensure that FBC officers are managing their time and being aware of the impact if deadlines are not met and understanding that late and urgent items cause issues.</p>	<p>Committee Lead Officers will be developed to outline the difference between Executive and non-Executive decision making and how the Scrutiny process fits in to support effective decision making.</p> <p><b>Democratic Services</b> – An intranet page is being developed which will include easy to find links to the report preparation timetables.</p> 
<p style="text-align: center;"><b>Community Building Review</b></p> <p>Works are required on a number of our 16 community buildings. The last full review was undertaken in 2004, and the funding set aside for this has now been fully spent.</p> <p>A condition survey is therefore needed to understand the level of works required and make sure works are undertaken in a systematic way.</p> <p><b>The risks that need to be addressed are:</b></p> <ol style="list-style-type: none"> <li>a) <b>Long term cost differences of temporary repairs compared to longer lasting repairs (and whether the latter is still warranted against future plans for the asset)</b></li> <li>b) <b>Works being undertaken without funding being in place;</b></li> <li>c) <b>FBC paying for works that are the responsibility of others;</b></li> <li>d) <b>Making sure we are meeting our obligations under the lease conditions to carry out external works required.</b></li> </ol>	<p><b>Leisure Services and Property Services</b> – A full review is planned to advise on what works need to be completed to maintain what we have, what other works are needed to protect the value of the asset, and the programme of investment that will be required.</p> <p>Priority is ensuring that buildings remain safe and usable in their current condition.</p> <p><b>Leisure Services</b> – Continuing to capture issues as part of the annual health checks of community centres.</p> 
<p style="text-align: center;"><b>Finalising the Welborne Planning Application (UPDATE)</b></p> <p>As highlighted in previous reports, the determination of the Welborne planning application has been a high risk for the Council; as this affects 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>As of 16 October 2019, the Planning Committee granted outline planning permission subject to the conditions in the report, and amended conditions</p>	<p><b>Development Management</b> – The Planning Committee agreed to give delegated authority the Head of Development Management to finalise the work needed including:</p> <ol style="list-style-type: none"> <li>a) Dealing with outstanding consultation responses including further conditions and informative that may be recommended;</li> <li>b) Making any necessary modifications to the proposed conditions or heads of terms; including those arising from detailed negotiations with the applicant;</li> <li>c) Completion of the S106 agreement, in consultation with the Solicitor to the Council</li> </ol> <p><b>Democratic Services (Legal)</b> - The legal team are providing advice on the proposals and preparing the Section 106 agreement.</p>


Risk or Opportunity	Actions being taken
<p>provided in an update report.</p> <p>The Section 106 (S106) agreement now needs to be completed, which involves resolving a number of the delivery issues (see below). Hampshire County Council will be a co-signatory to the agreement as there are terms that are relevant to their responsibilities e.g. education, highways.</p> <p>There are also planning conditions, such as the Strategic Design Code, that need to be applied to the permission. The Planning Committee will then be required to approve the “reserved matters” applications, which will regulate the detailed development of the site.</p> <p><b>No development under the planning application can start until the delivery issues are resolved.</b></p>	<p><b>Development Management</b> – Liaising with Hampshire County Council, including increasing the number of meetings, to keep the momentum going on their elements of the agreement.</p> <p><b>Welborne Strategy</b> – Assisting with agreeing a viability review mechanism throughout the development and building this into the agreement.</p> 
<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 housing requirements whilst maintaining Viability of the Scheme</li> <li>• Delivering Junction 10 of the M27</li> <li>• Stewardship and Maintenance Obligations</li> <li>• Delivery of placemaking requirements</li> <li>• Ensuring adequate Health and Wellbeing facilities for the new community (NEW)</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 provided.</p>	<p><b>Delivery of housing requirements whilst maintaining Viability of the Scheme</b></p> <p>The infrastructure requirements of the development have now been agreed.</p> <p>The Planning Committee approved 10% Affordable Housing for the first 1000 homes at a 50:50 tenure split (Affordable/Social Rent versus intermediate provision). The viability will be reviewed to ensure that the predicted increase in revenues over costs is captured to provide up to policy levels of AH.</p> <p><b>Development Management</b> – The Planning Permission (which includes the S106 agreement) will now take precedence over the Welborne Plan as to what provision is required to be delivered.</p> <p><b>Welborne Strategy</b> – A mechanism is being agreed to carry out viability reviews of the development such that as it becomes profitable it can reach a fully policy compliant position in terms of numbers of affordable housing.</p> <p>Discussions include an independent advisor to help negotiations with the developer.</p> <p><b>Delivering Junction 10 of the M27</b></p> <p><b>External</b> – Hampshire County Council are preparing the design for the new Junction 10 to reach full business case readiness so that it can be submitted to the Department for Transport to release their funding contribution.</p> <p>Some of the funding has been used to achieve this.</p> <p>The Business case also gives a clearer picture of the value of the funding gap to be closed.</p> <p><b>Corporate</b> – Continuing to work with the Ministry of Housing, Communities &amp; Local Government (MHCLG) and Department for Business, Energy and Industrial</p>

Risk or Opportunity	Actions being taken
<div data-bbox="252 786 715 1153" data-label="Image"> </div> <div data-bbox="193 1323 759 1639" data-label="Image"> </div>	<p>Strategy (BEIS) to help resolve the funding issues. This includes BEIS liaising with the LEP to provide assurances that they will not be penalised for the delay in using their funding and liaising with Homes England on how the risks and implications of the Hampshire Infrastructure Fund (HIF) monies can be reduced.</p> <p>Options for the remaining gap are being drawn up and discussed.</p> <p>High level officers and members involved including the MP for Fareham.</p> <p><b>Stewardship and Maintenance Obligations</b></p> <p><b>Welborne Strategy</b> – The Director of the Bournville development was arranged to come to talk to members about the benefits and risks of that style of development. He was positive about the proposals being offered by the developer.</p> <p><b>Welborne Strategy</b> – Draft Articles of association are being reviewed and some clarification being sought on the step-in obligations and rights of parties.</p> <p><b>Delivery of placemaking requirements</b></p> <p><b>Welborne Strategy</b> – Experienced consultants were used to assist with developing a strong working relationship between the Council and the Master Developer to achieve a vision for the community that would meet the needs of both parties. This has proved successful and the consultants input on this element will be ending.</p> <p><b>Welborne Strategy</b> – Workshops with the developer are continuing to develop a 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.</p> <p><b>Welborne Strategy</b> – Working to identify how many sub-design codes need to be developed. Secured further capacity funding of £150,000 to help fund the work needed to develop these codes.</p> <p><b>Ensuring adequate Health and Wellbeing facilities for the new community</b></p> <p><b>Welborne Strategy</b> - How the health and wellbeing need of the community will be met via the Clinical Commissioning Group is still to be resolved. This a low risk for FBC but a high risk for the community so FBC are leading on the development of a Steering Group for Health and Wellbeing at Welborne. Draft terms of reference have been drafted and are being considered by the Welborne Delivery Group.</p> <p><b>Medium and Long-term impact on Service Provision of the new development</b></p> <p><b>Welborne Strategy / Finance</b> –. An initial assessment has been carried out of the potential impact on FBC services of the following:</p>




Risk or Opportunity	Actions being taken
	<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>A series of discussions was held with service managers in February 2019 to expand this assessment.</p> <p>No further work has been carried out on this work strand to date.</p>

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

Risk or Opportunity	Actions taken
<p style="text-align: center;"><b>Loss of IT systems</b></p> <p>There is an ongoing risk that an organisation's IT Systems could fail. This has happened twice this year at FBC, once in April 2019 and again in September when all systems went down between 18:22 on a Saturday until 15:00 on the following Monday.</p> <p>In the second incident all non-cloud-based services stopped working. This meant that members of the public couldn't contact the Council by phone, and communications to the public via the website were not possible. The cash office was not able to take plastic or moto payments.</p> <p>The issue was first reported over the weekend when an external user could not connect onto FBC ICT system remotely. It was believed at the time that this was just a problem with the service used for external connections that could be resolved on Monday. However, on Monday morning it was soon realised that the issue affected far more systems.</p> <p>The problem was subsequently found to have been caused by storage areas becoming full.</p> <p>As the phones were one of the first means of communication that became available this was followed by a higher than normal number of phone calls.</p> 	<p style="text-align: center;"><b>DEALING WITH THE INCIDENT</b></p> <p><b>IT Services</b> – Problem discovered early Monday morning and Head of Service informed by mobile phone. ICT team walked the floors to inform them of the problem. Problem logged with the server array provider and advice sought on how to restore the service.</p> <p><b>Corporate</b> – Chief Executive Officer notified, and Corporate Business Continuity Plan evoked as the timescale to fix the problem was unknown. Corporate Business Continuity team met to consider operational issues and resourcing plans.</p> <p><b>IT Services</b> – Worked to try and identify what the issue was and put in the following temporary fixes:</p> <ol style="list-style-type: none"> <li>Network security settings were changed to prevent telephones needing to authenticate themselves – this allowed telephony services to work.</li> <li>Storage backups were removed for all non-essential data volumes which cleared enough space for the servers to start working again.</li> <li>Users were told to not logon until instructed and systems/departments were prioritised to ensure that they did not swamp the system.</li> </ol> <p><b>IT Services</b> – Worked out a priority to bring emails, and inbound/outbound telephones back floor by floor, determined by where priority services were located.</p> <p><b>IT Services</b> - ICT team walked the floors to inform them to stop staff trying to get connection until instructed to do so, as this was causing a secondary problem. ICT team also walked the floors later to make sure the message that it was OK to logon had also been received.</p> <p><b>IT Services</b> – ICT services officers remained in the offices after closing time for an hour to ensure systems remained up and running.</p> <p><b>Corporate Services (Communications)</b> – Mitigated some of the risk by communicating any key messages through FBC social media by logging in using personal mobile phones.</p> <p><b>Corporate Services (Customer Services)</b> – Instigated business continuity plan to take customer payments where possible by cash or cheque; issuing handwritten receipts which were later punched into the cash system.</p> <p><b>Corporate Services (Customer Services)</b> – Additional staff transferred to man the phones once they became operational.</p> <p><b>Corporate Services (Web and Social Media Team)</b> – Helped identify parts of the website which were not affected as already coming in over cloud. Used these and other alternatives to publish some communications.</p>

Risk or Opportunity	Actions taken
	<p><b>LONGER TERM</b></p> <p><b>IT Services:</b> System alerts now set up to ensure the new storage array never gets more than 85% full.</p> <p><b>IT Services</b> – Going forward this risk should be significantly reduced with the introduction of cloud-based servers rather than a SAN (Storage area network) which removes the ‘one point of failure’ issue.</p>
<p><b>Protestors and Media coverage at council locations</b></p> <p>There are several high-profile public interests that have led to members of the public wanting to protest against the Council.</p> <p>In 2019 these have included:</p> <ol style="list-style-type: none"> <li>50 + Protestors marching through Fareham and arriving at the Council as part of a day of global climate strike around the world;</li> <li>Climate change protestors arriving at the Council during the debate of the climate change motions;</li> <li>ITV coverage of climate protestors outside the civic offices and at the meeting to consider the Climate Change motion;</li> <li>ITV cameras and protestors arriving for the debate on the Welborne Planning Application.</li> </ol> <p><b>These needed to be managed to address the potential reputational risk or security and safety risks (for staff, visitors and</b></p> <div data-bbox="225 1368 651 1653" data-label="Image"> </div> <p><b>protestors) at FBC locations.</b></p>	<p><b>Corporate Services</b> – A station was set up in the reception area to check protestors in and out of the building on the days of key meetings.</p> <p>Members of staff (CSC/Facilities) are made available downstairs to manage how members of the public enter the building, and ensure they are escorted to meetings.</p> <p>A decision was made not to allow placards to be brought into the building for meetings, so a designated storage area was set up.</p> <p><b>Corporate</b> – Overspill room set up for protestors which includes sound so that they can hear the debate. Supervisors allocated to the rooms.</p> <p><b>Democratic Services</b> – Additional staff recruited to cover potentially contentious meetings.</p> <p><b>Democratic Services</b> – Invoked the policy for the right to film in committee rooms, which requires a form to be completed and permission approved.</p> <p><b>Corporate Services (Communications Team)</b> – A written statement from the Executive Leader of the Council was prepared in advance and handed to Protestors on the day of the global climate strike action.</p> <p><b>Corporate Services (Communications Team)</b> – Monitor social media to pick up potential threats and let the relevant service know. A communication officer is made available and a press table set up for media who attend meetings. Also issue statements and other information to the public.</p>
<p><b>Unscheduled Elections &amp; Referendums</b></p>	<p><b>Corporate</b> – The Council has built flexibility into its</p>

Risk or Opportunity	Actions taken
<p>The last risk report noted that there was a risk that although there were no planned elections in 2019, additional elections or referendums may be called mainly due to the uncertainty around Brexit. This came to fruition with the:</p> <ul style="list-style-type: none"> <li>• EU Parliamentary Election in May</li> <li>• Titchfield Neighbourhood Plan Referendum in July</li> <li>• UK Parliamentary Election in December</li> </ul> <p><b>The council has therefore needed to manage the risk that it does not deliver a legal and compliant election in these incidents.</b></p>	<p>employee arrangements that allows existing employees to be diverted from their day job, in response to unexpected fluctuations in work. The resourcing arrangements also allow extra employees to be brought in to assist and current employees to work extra hours for a short period of time.</p> <p><b>Corporate</b> – Resilience has been built into the Council’s approach to elections by splitting the work between 2 services – one leading on the count arrangements and the other leading on the voting arrangements. Three Deputy Returning Officers are also appointed to help manage all the preparations needed.</p> <p><b>Democratic Services</b> - The Elections team ultimately had to manage and deliver three snap elections.</p> <p>These all went smoothly due to previous accumulated experience and being well prepared.</p>
<p style="text-align: center;"><b>Littering on Motorway Junction</b></p> <p>There are lay-bys on either side of the road of Junction 11 of the M27, which are frequently used by lorries as stop areas.</p> <p>The lay-bys attract litter, some of a dubious nature, and the Council receives complaints as to the appearance of the lay-bys.</p> <p>The lay-bys are on land owned by the County Council but FBC have responsibility under the Environmental Protection Act for litter on the highway. However, the location is not on a public space used by walkers, so the response needs to be proportionate.</p> <p>The FBC H&amp;S officer has completed a risk assessment to remove litter and concluded that it can only be carried out safely with a lane closure. The Highways Authority will only permit a lane closure overnight. The Council currently removes the litter about 6 times a year, at a cost of £2,000 a time.</p> <p><b>There are the following competing risks associated with this problem:</b></p> <ul style="list-style-type: none"> <li>• <b>Potential for litter abatement notice served on the Council and potential fine of up to £2,500 plus daily charge if fail to comply.</b></li> <li>• <b>Residents continued dissatisfaction (perception of risks and eyesore) and media coverage on the subject.</b></li> <li>• <b>Driver dissatisfaction and inconvenience during lane closures. (Causes a tailback which affects the motorway).</b></li> <li>• <b>Cost implications of increasing the number of times litter is removed.</b></li> </ul>	<p><b>Street Scene</b> – Executive member and Head of Service visited the site to identify the problem and any potential solutions. Consideration is being given to increasing litter bin provision, including arrangements to empty them.</p> <p><b>Streetscene</b> – Meeting held with complainant to explain constraints and challenges of cleansing this location.</p>  <p>The image is an aerial photograph of a complex motorway junction. The main road is the M27, which runs horizontally across the middle. A27 branches off vertically from the bottom of the M27. There are several overpasses and underpasses. A red dot is marked on the ground near the junction, with a label 'Paradise Ln' pointing to it. The surrounding area includes green fields and some trees.</p>

Risk or Opportunity	Actions taken
<p><b>Impact of Loss of Uber Licence in London</b></p> <p>Uber is a global private hire taxi firm employing drivers in a number of locations across the country, including Fareham. Uber drivers can operate in different areas from the local authority in which they received their licence. Therefore, drivers are using their hackney carriage licence granted in Fareham (where the knowledge test is easier as it is a small borough) to drive as a private hire Uber driver elsewhere. This has left fellow Fareham license holders unhappy.</p> <p>In November 2019 Uber was stripped of its licence in London due to failings in passenger safety. This has provided additional pressures on authorities such as Fareham to follow suit due to the risk that Uber may not be meeting required safety standards.</p> <p><b>This situation has the following risks to FBC:</b></p> <ul style="list-style-type: none"> <li>a) <b>Bad publicity that Fareham are licencing Uber drivers;</b></li> <li>b) <b>Legal challenges if we chose to not licence Uber;</b></li> <li>c) <b>If we made the test to get a licence harder, it may affect the ability of local drivers to pass.</b></li> <li>d) <b>If Uber were to lose their licence to operate within Fareham, there could also be a risk of a loss of income as Uber drivers would be required to use alternative authorities to obtain their licenses.</b></li> </ul>	<p><b>Environmental Health</b> – No changes currently made to licencing regime.</p> <p><b>Environmental Health</b> – Maintaining a watching brief on events.</p> <p>Uber filed an appeal in December 2019 against the decision and the outcome may shape future actions of the partnership.</p>

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

Risk or Opportunity	Actions taken
<p><b>New Community, Arts and Entertainment Venue (UPDATE)</b></p> <p>Ferneham Hall is being redeveloped to deliver the vision of a new arts and entertainment facility for Fareham. An objective of the redevelopment is to reduce the level of subsidy needed to support the facility.</p> <p>A joint procurement for operators of either Ferneham Hall, both Leisure Centres or both was deemed appropriate and has now been concluded. The new Community, Arts &amp; Entertainment venue will be run by an external operator (BH Live). The contract will be for 10 years with an option to extend for a further 5 years.</p> <p><b>The key project risks associated with the next stage of the redevelopment include:</b></p> <ul style="list-style-type: none"> <li>• <b>Ferneham Hall Closure</b> – The closure of the building impacts on the customer base.</li> <li>• Maintaining safety and security of the building (and users of near-by car parks) during the closure.</li> <li>• Unnecessary costs associated with the running of the hall continue after its closure.</li> <li>• The impact on current staff and volunteers at Ferneham Hall is not handled sensitively.</li> <li>• <b>New Operator</b> - The Council achieves a poor deal from the operator of the Hall and the reduction in subsidy targets are not met.</li> <li>• <b>New Build</b> - The new building does not meet the needs of the borough and is not commercially viable.</li> <li>• The costs of the new build escalate (e.g. impacted by changes in the economy) causes the approved budget of £12.35 million to be exceeded.</li> <li>• The funding sources earmarked for the new build do not materialise.</li> </ul> <p>The latest actions taken to manage these risks are listed here.</p>	<p><b>Ferneham Hall Closure</b></p> <p><b>Leisure Services / Human Resources</b> – Communication plan for those Ferneham Hall <b>staff and volunteers</b> affected drawn up and implemented; which included offers of redundancy / redeployment / assistance with finding alternative work.</p> <p><b>Leisure Services / Human Resources</b> – Resourcing plan instigated to keep the Hall still operational during the busiest season (panto). This included changing the panto operator to one more able to cope with fewer technical staff being available.</p> <p><b>Leisure Services</b> – Decommissioning plan drawn up and being implemented. Detailed inventory of contents taken and discussed with the new operator. Disposal options being drawn up for those items not needed for the new venue.</p> <p><b>Leisure Services</b> – Communication plan for <b>users</b> of the hall / subscribers to What's on, drawn up and implemented. Included boarding of the new vision set up in the foyer during the panto season.</p> <p><b>Leisure Services</b> – Communication plan for <b>suppliers</b> to the hall drawn up and implemented. Included negotiating a buy and return deal for drinks supplies to the bar.</p> <p><b>Leisure Services</b> – Hoarding to be in place during closure. Contract being considered for demolition works.</p> <p><b>Property Services</b> – Maintaining communication with neighbouring building occupiers.</p> <p><b>New Operator</b></p> <p><b>Procurement Team / Leisure Services</b> – A full procurement exercise was undertaken with the support of an external procurement consultant who specialises in Leisure procurements. Evaluation criteria includes projected subsidy reductions and timescales, and an affordability threshold was applied. Proposals taken to special meeting of the Executive Committee in November 2019.</p> <p><b>Leisure Services / Legal Services / Procurement Team and Leisure Consultant</b> – Contract terms, clarification of obligations and performance measure developed. This was agreed with BH Live.</p> <p><b>New Build</b></p> <p><b>Property Services and Leisure Services</b> – Created a headline brief which details key outcomes identified in the vision around design features, customer experience and external finishes. This is reviewed regularly to ensure project direction, and key decisions are still meeting these requirements.</p> <p><b>Corporate</b> – An Officer Working Group has been set up including members from Property, Leisure, Finance and</p>

Risk or Opportunity	Actions taken
	<p>Procurement, as well as the Project Manager Mace. This group meets monthly to discuss project timelines and milestones, and any risks identified within the programme. Property services provide the link to the Civic Quarter regeneration working group.</p> <p>Member working group reconvene as and when required and heavily involved before the planning application and committee reports presented.</p> <p><b>Property Services</b> – Have undertaken a number of surveys to mitigate the risk of unforeseen cost implications during the build.</p> <p><b>Democratic Services (Procurement Team)</b> – Working with the Employee Agent, the Council has engaged with the following to ensure the design and build fully meets FBC and legislative requirements; Acoustic, Architect, Cost, Structural and Theatre Consultants.</p> <p><b>Democratic Services (Procurement Team)</b> – Novating the Architect to the main construction contractor which means they will be working in a more joined up way and allows the Council to maintain control over the design.</p> <p><b>Democratic Services (Procurement Team)</b> – overseeing the tender process for the construction and deconstruction which commences in January 2020.</p> <p><b>Leisure Services</b> – New operator involved in the design of the new building and refining the vision, but FBC have the final sign off.</p> <p><b>Corporate</b> – Funding sources identified for the build. Economic Development and Regeneration Strategic lead also engaged to look for opportunities to apply for external funding.</p> <p><b>Corporate Services (Communications Team)</b> – Campaign under way to choose a new name for the venue.</p>
<p><b>Transfer of On-Street Parking (UPDATE)</b></p> <p>On Street Parking services have been undertaken by FBC since 2008/09 under an agreement with Hampshire County Council (HCC). However, from April 2020 this will be undertaken by a new contractor under the responsibility of HCC.</p> <p><b>This change of policy by HCC has the following risks for FBC and our customers:</b></p> <ol style="list-style-type: none"> <li><b>Loss of council income of £130k and cost of redundancies.</b></li> <li><b>Continuing the current service for 3 months after redundancies have taken place.</b></li> <li><b>Risk of more and poorer Parking Charge Notices (PCNs) being issued as the learning from the Vanguard review is not continued; also, additional parking meters</b></li> </ol>	<p><b>HR/Parking Services</b> – Review of team has been taken and 4 staff have been made redundant/taken early retirement with effect from 31/12/2019.</p> <p><b>Parking Team</b> – On-going discussions and negotiations with HCC up to the handover.</p> <p><b>Parking Team</b> – Identifying potential new income streams to address the income shortfall.</p> <p><b>Finance</b> – To send final invoice to HCC for redundancy costs and balance of deficit since service was taken on.</p> <p><b>Customer Service Centre</b> – Preparing to deal with difficult customers of HCC who will want to pay PCNs at Fareham’s cash office.</p> <p><b>Comms Team</b> – Communication Plan to handle message to public</p>

Risk or Opportunity	Actions taken
<p>on the high street expected. This is a reputational risk to FBC even if it is not our area of responsibility.</p> <p>d) Risk of residents parking costs increasing which is also a reputational risk to FBC even if it is not our area of responsibility.</p> <p>e) There will be customers coming into the Civic Offices to pay PCNs which are due to HCC. HCC expect lots of their customer contact to be done online which will cause issues for those who are not e-enabled. Customers may be unhappy about not being able to pay for a PCN in Fareham that has been issued in Fareham.</p> <p>f) Risk of FBC Civil Enforcement Officers having to walk past cars being parked illegally and not being able to enforce with resulting unhappiness from members of the public.</p>	
<p><b>Compliance with Website Accessibility Legislation</b></p> <p>New legislation (Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018) comes into force from September 2020 setting standards for making websites and the content more accessible.</p> <p>This applies to the all the Council's websites including FBC, Building Control, Street Aid, and Solent Airport).</p> <p>Requirements include:</p> <p>a) Making sure there is colour contrast between text and the background.</p> <p>b) All PDFs need to be accessible in terms of the meta data they contain, and the fonts used.</p> <p>c) The page is navigable by using a keyboard or voice prompts within hidden links (e.g. capable of being read out by the computer for the partially sighted)</p> <p><b>There is a risk that FBC fail to meet the requirements of the legislation which is being enforced by the Equality and Human Rights Commission (EHRC). Any failure to make reasonable adjustments could lead to the EHRC using legal powers against FBC including investigations, unlawful act notices, financial penalties and court action.</b></p>	<p><b>Corporate Services (Web and Social Media Team) -</b> The team are rebuilding all the websites, and changing the coding, to ensure compliance.</p> <p><b>Corporate Services (Web and Social Media Team) -</b> Converting all PDFs to meet the accessible standards.</p> <p><b>Corporate Services (Web and Social Media Team) –</b> Procured an organisation to test the accessibility changes made to the website – this is made up of real users with different impairments.</p> <p><b>Corporate Services (Web and Social Media Team) -</b> User guide being produced with training to high usage departments. Webmaster will publish everything on the website for a period of time to ensure compliance.</p> <p><b>Corporate Services –</b> Communications plan being developed including a report to be produced for the Chief Executives Management Team, and messages on the intranet.</p> 



Risk or Opportunity	Actions taken
<p><b>Work Force Fit to Work (Street Scene)</b></p> <p>Following on from the work carried out to respond to the Hand Arm Vibration (HAVs) notice of contravention issued by the Health and Safety Executive (HSE) in 2017, a health surveillance process has been introduced for all manual staff employed in the Street Scene service. This includes agency staff.</p> <p>This gives a baseline position of any health issues that relate to an employee's capability to perform their duties safely and effectively.</p> <p>Health issues that are being picked up include mental health, hearing, skin, shoulder, knee and joint problems, heart and respiratory and risks and inherited problems from previous employments.</p> <p>Many of the workforce are nearing retirement age and the health surveillance has highlighted that some staff are unable to carry out lifting and handling tasks. Given that much of the work requires physical effort, there are limited light duty alternatives available.</p> <p><b>This initiative is therefore addressing the following risks:</b></p> <ul style="list-style-type: none"> <li>a) <b>Not fulfilling our vision as an employer which looks after the welfare of its higher risk staff.</b></li> <li>b) <b>Maintaining the productivity of an aging manual workforce and ensuring there are enough staff to complete all the tasks required; and that staff are still capable of doing the jobs they are in.</b></li> <li>c) <b>Risk of employer liability insurance claims.</b></li> <li>d) <b>Risk of further notices issued by the HSE.</b></li> </ul>	<p><b>Street Scene</b> – A combined health surveillance form has been designed to cover all the potential health related issues associated with the type of manual work undertaken in Streetscene. This will be completed by all manual staff on an annual basis to monitor any changes.</p> <p>The health surveillance will be rolled out to each team until the whole manual Street Scene workforce has been covered.</p> <p><b>Street Scene</b> – Staff assigned to amended duties where possible, adjustments made to avoid exasperating existing conditions, or referrals made to the Occupational health advisor.</p> <p><b>Street Scene</b> – Noise assessments and hearing tests are also being carried out. Ear defenders and ear plugs are provided, and managers are monitoring that staff are using them.</p> <p><b>Street Scene</b> – Refuse and Recycling also have a separate risk assessment for glass collection, there are further challenges if kerbside glass collection is introduced.</p> <p><b>Corporate</b> – The Street Scene Health &amp; Safety group meet every six months including representatives from Human Resources, the Corporate Health and Safety Advisor and a union representative.</p> <p><b>Corporate</b> – The health surveillance form will be rolled out to other services once the Street Scene teams have been completed.</p> <div data-bbox="884 1211 1394 1581" style="text-align: center;">  <p><b>Personal protective equipment must be worn</b></p> </div>

Risk or Opportunity	Actions taken
<p><b>The North Solent Shoreline Management Plan (NSSMP)</b></p> <p>The North Solent Shoreline Management Plan (NSSMP) aims to provide a broad large-scale assessment of the risks associated with coastal evolution and to balance the management of coastal flooding and erosion risks. It then aims to present a policy framework to address the risks to people and the developed, historic and natural environment in a sustainable manner over the next 100 years.</p> <p>The Coastal Partnership, as members of the Southern Coastal Group, are currently supporting the Environment Agency with the Shoreline Management Plan – Refresh (SMP-R) project. An outcome of which will be a NSSMP ‘health check’ document highlighting potential areas for attention for the coastal group to take forward.</p>	<p><b>Coastal Partnership</b> – The River Hamble to Portchester Strategy has been developed by the Coastal Partnership on behalf of Gosport and Fareham Borough Councils. The Strategy, adopted by Fareham and Gosport Borough Council in 2015 and recommended for approval by the Environment Agency in 2016, will guide coastal practitioners on the future delivery of coastal management.</p>  <p><b>Coastal Partnership</b> – Hill Head is a risk area but there is no grant aid available as only five properties are affected. The area is at risk of flooding within a 20 to 30-year timeframe. The Council has invested capital funds to protect the seawall, beach and beach huts but there is still a risk to homeowners who feel left to their own devices and that it is not their responsibility.</p>
<p><b>Responding to the Air Quality Directive (UPDATE)</b></p> <p>There is still a risk that Air Quality in an area near to Bath Lane will not meet the reduced Nitrogen Dioxide levels, required, despite the actions taken.</p> <p>Current levels are at 44 micro grams and need to be at 40 micro grams by the end of 2020.</p> <p>The actions the Council was taking to ensure compliance were detailed in the March 2018 and March 2019 reports. Further actions taken since that report are highlighted opposite.</p> <p>However, there is still the risk that the incentive scheme to buy newer diesel vehicles doesn't take off. Twenty taxis have taken up the scheme to date.</p> <p><b>A national failure to comply with the EU Directive may lead to the Government being fined by the EU who are likely to pass the fine down to Councils.</b></p> 	<p><b>Environmental Health</b> – An action plan of 4 measures was approved by DEFRA and funding provided to implement them.</p> <p><b>Environmental Health</b> – The incentive scheme for taxi drivers is now in place and will run through until the end of the year. Taxi drivers are encouraged to replace older diesel taxis with hybrid / electric vehicles by offering 5 years free taxi licensing and monetary contributions towards insurance and servicing.</p> <p><b>Environmental Health</b> – The other 3 measures are being delivered in partnership with HCC who have also now received a ministerial direction:</p> <p>These are:</p> <ol style="list-style-type: none"> <li>1) replacing bus stops in the area with real time information bus stop to encourage more bus use.</li> <li>2) building upon and increasing / improving cycling infrastructure in the area; and</li> <li>3) introducing intelligent traffic lights at the Quay Street entrance to the Market Quay junction.</li> </ol> <p><b>Environmental Health</b> – Continuing to monitor the problem area.</p> <p><b>Environmental Health / Finance</b> - Continuing to monitor spend against funding provision as any unused money could be used for climate change issues.</p>

Risk or Opportunity	Actions taken
<p><b>Maintaining Rental Streams from Council Properties</b></p> <p>The Council has a number of commercial estate properties (e.g. Palmerston Business Park) which generate rental income for the Council. These have been supplemented in recent years with investment properties which have been acquired purely to secure a financial gain, as they usually generate a greater rate of return than money investments.</p> <p>The rental from these properties is a significant funding source to pay for council services.</p> <p><b>However, there is an on-going risk with this funding source of tenants leaving Council properties at the end of the lease agreement, and leaving properties empty for an extended period of time.</b></p>	<p><b>Property Services</b> – The service has been taking a proactive approach to tenant review and asset management. This has involved forecasting lease events and using best practice to deal with them and minimise the risks. This includes lease end triggers, rent reviews and rent break clauses.</p> <p><b>Property Services</b> – The team have also been working closely with tenants to negotiate new leases or lease end details, allowing plenty of time for negotiation or marketing of properties for re-letting.</p> <p><b>Property Services</b> – The team have been reviewing the performance of properties and considering changes to the portfolio if the rate of return is low and unlikely to improve.</p> <p><b>Property Services / Financial Services</b> – Working together to agree the property portfolio classifications and ensure consistency across Council documents e.g. Asset Register.</p>
<p><b>Preventing the New Procurement Rules resulting in inappropriate spending behaviours (UPDATE)</b></p> <p>As reported previously a new set of Contract and Procurement rules has been developed. This has now been rolled out across all services.</p> <p><b>Whilst the new rules now give more flexibility to managers about spending decisions, it also brings with it the potential risk of an increase in maverick spending. A threshold has also been introduced before formal justification of spend is required.</b></p>	<p><b>Democratic Services</b> – The procurement team is now engaging with many more services than previously, as more people seek guidance which should also help allay uncertainties about maverick spend.</p> <p><b>Democratic Services / Finance</b> – Meetings being held with all Service Heads to identify any spending plans in the pipeline which may require market testing.</p> <p><b>Financial Services</b> – The Finance Business Partners (FBPs) are challenging their budget managers when they make purchases to make sure they can be justified.</p> <p><b>Financial Services / ICT Services</b> - A new tool (Power BI) has been developed to allow managers and FBPs to more easily see how much is being spent with suppliers. This is currently being rolled out, supported by training and guidance.</p> <p><b>Finance (Internal Audit)</b> – A review is underway to measure how well the new procurement rules are being adhered to. This includes annual testing of suppliers above and below the threshold. The services should be able to justify purchases made and the method of procurement used.</p>
<p><b>Managing “Fake News”</b></p> <p>There is a risk that ‘fake news’ about Fareham Borough Council could spread on Social Media, or through local/national media outlets. There is also a risk that the Council perpetuates a fake news story.</p>	<p><b>Corporate Services (Communications Team)</b> – Staff have attended training on the management of fake news.</p> <p><b>Corporate Services (Communications Team)</b> – Reputable sites are identified which are used to verify whether facts are accurate.</p> <p><b>Corporate Services (Communications Team)</b> – Procedure in place to manage any misinformation</p>

Risk or Opportunity	Actions taken
<p>This could cause reputational damage for the Council, or members</p>	<p>broadcasted by a member.</p> <p><b>Corporate Services (Communications Team)</b> – Post assigned to review social media output of anti-FBC sites each day. If anything is spotted, the administration team of the media site are contacted and asked to correct the accuracy of what is printed.</p>
<p><b>Pedestrian Access at the Depot</b></p> <p>The pedestrian access at the depot currently requires members of staff or visitors to walk past the line of vehicles and the Transport repair workshop (TRD) in order to get to office accommodation. Although there are clearly marked pedestrian routes to follow, people are not always easy to see when the larger vehicles are reversing into a space or the TRD.</p> <p><b>There is therefore considered to be a medium risk of staff or a member of the public being hit by a Council vehicle at the depot.</b></p> <p>This risk may increase if more vehicles need to be stored at the depot to meet the demands of the new Resources and Waste Strategy.</p>	<p><b>Environmental Health</b> – A risk assessment was completed by the FBC H&amp;S officer.</p> <p><b>Street Scene / Property</b> – A feasibility review is being carried out to establish if an access route to the rear of the building is possible.</p> <p><b>Street Scene</b> – Signage at the depot is being strengthened.</p>
<p><b>Robust Data Storage Solutions</b></p> <p>The Council has been looking at its data storage platforms, because the old hardware was no longer supported. A new storage platform is therefore to be rolled out across the whole Council to replace the S drive and the hub.</p> <p>Data security is a fundamental part of GDPR and to be able to store the data securely we need to ensure we are GDPR compliant. Non-compliance brings risks of not delivering our customers' rights, reputational damage and ultimately fines and sanctions from the Information Commissioner's Office.</p> <p><b>However, the main risk being managed by the project is to safeguard robust data management arrangements across the Council.</b></p>	<p><b>Democratic Services / ICT</b> – Management team identified to oversee the roll out of the Storage project.</p> <p><b>Democratic Services / ICT</b> – Project Manager seconded from another service with a focus on GDPR and retention policy / schedules and data management information.</p> <p><b>ICT Services</b> – IT services are building up a design of the new system for the Council. They have engaged a consultant who has provided advice and confirmation that it is a workable design that should provide significant benefits in terms of future proofing our system.</p> 
<p><b>Implementing Canvass Reform</b></p> <p>From July 2020 the annual canvass is being transformed nationally to help reduce the administrative burden and make the process more citizen focussed. The eventual benefits of the reformed canvass should be reduced postage and associated costs.</p>	<p><b>Democratic Services</b> – Identifying the government funding that is available to help the transition process; for example, we can still apply for JLB (Justification Led Bid) to help with the financial burden of implementing Individual Electoral Registration.</p>

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted



# 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:

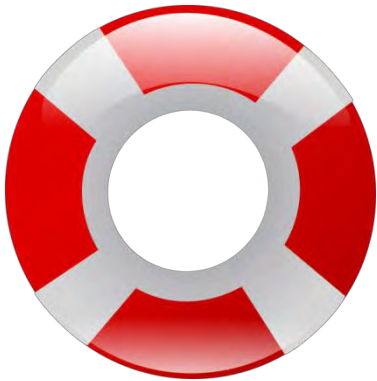
We want to know what risks we are facing  
We want to know when opportunities arise

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:

- Their perceptions of their current top risks
- 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