



## Public Document Pack

# Uttlesford District Council

Chief Executive: Dawn French

## Governance, Audit and Performance Committee

**Date:** Tuesday, 24th March, 2020

**Time:** 7.30 pm

**Venue:** Committee Room - Council Offices, London Road, Saffron Walden,  
Essex CB11 4ER

**Chair:** Councillor E Oliver

**Members:** Councillors G Bagnall, A Dean, G Driscoll (Vice-Chair), V Isham,  
R Jones, A Khan, B Light, S Luck and J De Vries

**Substitutes:** Councillors S Barker, M Caton, C Criscione, P Fairhurst, R Freeman,  
A Gerard, G Sell and M Sutton

**This meeting was cancelled due to the coronavirus outbreak. For further information on how items requiring decisions are being dealt with, please refer to supplementary packs for this meeting as they are published on the Council's website.**

### Public Speaking

At the start of the meeting there will be an opportunity of up to 15 minutes for members of the public to ask questions and make statements subject to having given notice by 12 noon two working days before the meeting. A time limit of 3 minutes is allowed for each speaker. Please refer to further information overleaf.

## AGENDA PART 1

### Open to Public and Press

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To receive any apologies for absence and declarations of interest.

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	To consider the minutes of the previous meeting and the Action List.	
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To consider the report on the Counter Fraud and Corruption Work and Annual Fraud Plan.

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To consider the Governance, Audit and Performance Committee Annual Report.

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The agenda is split into two parts. Most of the business is dealt with in Part I which is open to the public. Part II includes items which may be discussed in the absence of the press or public, as they deal with information which is personal or sensitive for some other reason. You will be asked to leave the meeting before Part II items are discussed.

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# Agenda Item 2

**GOVERNANCE, AUDIT AND PERFORMANCE COMMITTEE held at COMMITTEE ROOM - COUNCIL OFFICES, LONDON ROAD, SAFFRON WALDEN, ESSEX CB11 4ER, on MONDAY, 13 JANUARY 2020 at 7.30 pm**

Present: Councillor E Oliver (Chair)  
Councillors G Bagnall, A Dean, G Driscoll, V Isham, R Jones, A Khan and J De Vries

Officers in attendance: D French (Chief Executive), R Auty (Assistant Director - Corporate Services), S Bronson (Audit Manager), P Evans (Customer Services and Performance Manager), D French (Chief Executive), C Gibson (Democratic Services Officer), O Knight (PFI and Performance Officer), S Pugh (Assistant Director - Governance and Legal), A Webb (Director - Finance and Corporate Services) and N Wittman (Assistant Director - ICT and Facilities)

Also present: D Eagles (BDO Partner)

## **GAP27 APOLOGIES FOR ABSENCE AND DECLARATIONS OF INTEREST**

Apologies for absence were received from Councillors Light and Luck.

## **GAP28 MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 26 September 2019 were approved and signed by the Chair as a correct record.

The Chair stated that in respect of the four items on the Committee Action List:

- The letter to the auditors had been emailed to Members.
- Councillor Luck had received the information relating to ethical procurement.
- The governance risk in the Corporate Risk Register would be discussed by the Corporate Management Team. An update on the Corporate Risk Register would be brought to this Committee at the next meeting.
- Clarification had been provided to Members in respect of the Local Plan risk wording.

## **GAP29 ANNUAL AUDIT LETTER**

Mr Eagles from the Council's External Auditors (BDO) gave a high level summary of the report that summarised the key findings of the 2018/19 audit.

In response to a Member question on sustainable finances, Mr Eagles clarified that the figures related to two different years.

### **GAP30 AUDIT PLAN**

Mr Eagles (BDO) gave a summary of the Audit Planning Report for the year ending 31 March 2020. He outlined the Audit Risks Overview and highlighted the new risk identified of Commercial investments. He explained the basis for the planned fees based on the PSAA- published level and that a letter from PSAA had been sent out in December. It was recognised that discussions on the total fee impact would be held initially with officers in the context of detailed operational planning and interim audit scope so as to best mitigate increases.

The Director - Finance and Corporate Services said that he was unaware of the letter but would follow this matter up.

In response to a Member question about whether the scope of audit work had changed, Mr Eagles confirmed that it had, that fees would reflect actual work undertaken and that fee levels were a national issue.

The Chair accepted the Audit Plan as stated.

### **GAP31 INTERNAL AUDIT PROGRESS REPORT 01 SEPTEMBER TO 15 DECEMBER 2019**

The Audit Manager gave a summary of the report, which detailed work undertaken by Internal Audit since the last report to the Committee on 26 September 2019 and provided an update on implemented and outstanding internal audit recommendations.

She said that all 2018/19 audits had been completed and provided an updated position since 15 December 2019. The Environmental Health Commercial Food Safety audit had been postponed until Quarter1 in 2020/21 due to lack of senior officer resources in Environmental Health. The audit of Members Allowances had been delayed but was due to start shortly.

In response to Members' questions about the audit opinion of "little" allocated to the Business Continuity and Emergency Planning audit, the Audit Manager explained the basis of the rating and stated that she intended to review the basis of audit opinions. The Chief Executive said that there was a new Emergency Planning Officer in post and that Business Continuity progress and future steps would be outlined to Members. There was a need to embed a new approach and to train people accordingly.

The Chair noted the Internal Audit Progress Report as per the recommendation.

### **GAP32 CYBER SECURITY UPDATE**

The Assistant Director – ICT and Facilities gave a summary of the report which reported the work undertaken on cyber security and updated Members on the second year of the Local Government Association's stock take questionnaire. The outcome of the second stock take had been that significant moves forwards

had taken place in enhancing already secure systems in respect of cyber prevention and that the rating had improved to Amber-Green.

In response to Members' questions in respect of the pentagon charts, the Assistant Director outlined security arrangements in place. The Director – Finance and Corporate Services agreed to distribute further information to Members in a different format.

The Chair noted the report as per the recommendation.

**GAP33 POLLING DISTRICT AND POLLING PLACES REVIEW 2019 – SAFFRON WALDEN PARLIAMENTARY CONSTITUENCY**

The Chief Executive gave a summary of the report which detailed the statutory responsibility, under the Electoral Registration and Administrations Act 2013, on Councils, via the Returning Officer, to carry out a UK Parliamentary polling district and polling places review every 5 years.

In response to Members' comments and questions about specific polling stations, the Chief Executive said that the European Parliamentary Election and the General Election had enabled some new sites to be tested and explained how the cost of elections could be claimed back from the Government.

In accordance with the recommendation, the committee approved the Returning Officer's recommendations for a revised Scheme of Polling District and Polling Places for the Saffron Walden Parliamentary Constituency with effect from 31 January 2020, as set out in Appendix 1.

**GAP34 PUBLIC PARTICIPATION AT PLANNING COMMITTEE MEETINGS**

The Assistant Director – Governance and Legal gave a summary of the report which detailed proposals made by a Working Group to enhance public participation at Planning Committee meetings which had been trialled since 21 August 2019. Public participation rights formed part of the Council's Constitution and changes to the Constitution were reserved for full Council on recommendation of this Committee. The report asked the Committee to recommend that the Council implemented the changes on a permanent basis.

Members suggested that the proposal to allow town/ parish council representatives to comment on statements of fact made by applicants/ agents should be extended to ward councillors (District and County). However, members were hesitant about making changes to the proposals developed by the Working Group.

The Assistant Director – Governance and Legal suggested that he consult Planning Committee members about the proposed change and report any reservations to Council when it considered the Committee's recommendations. This course of action was supported.

RESOLVED that the Committee recommends Full Council to:

- a. Adopt the changes to Planning Committee procedure identified in paragraph 8 of this report, together with an addition to paragraph 8e that the invitation to comment on statements of fact be extended to ward Councillors (District and County) who are present.
- b. Authorise the Assistant Director, Governance and Legal to amend the text of the Constitution to reflect the changes agreed.

#### GAP35 **QUARTER 2 2019 KPI & PI REPORT**

The PFI and Performance Officer gave a summary of the report, which provided the Quarter 2, 2019/20 outturn and data analysis for all Key Performance Indicators (KPIs) and Performance Indicators (PIs). He highlighted that two KPIs had exceeded the 10% performance threshold and had therefore attained a 'red' status.

In response to a Member question relating to targets being reduced for Environmental Services KPI 14, the Assistant Director – Corporate Services said that the Committee had approved this target and that targets for 2020/21 would be brought to the next meeting and he would ensure that appropriate Environmental Services information was included. The PFI and Performance Officer confirmed that he would bring back a report on this area.

In response to a Member question relating to PIs in the Environmental Health (Commercial) area and staff shortages, the Director – Finance and Corporate Services said that the submitted data related to the period before staff had left.

Members expressed the general view that they would not expect targets to be dropped.

The meeting closed at 8:40pm

**Governance Audit and Performance Committee Action List for March 2020**

Item	Action	Latest note
Cyber security arrangements	Committee members to be emailed further information about the council's cyber security arrangements	Individual emails should have been received by the date of the March committee meeting
Environmental Services target setting	Cllr Dean requested information regarding recycling rates and performance target setting	A report is included in the agenda pack
Governance Risks	Cllr Khan requested officers consider whether risks associated with governance were sufficiently robust in the Corporate Risk Register	CMT has discussed this and an amended Corporate Risk Register is included in the agenda pack
Local Plan risk wording	Cllr Storah asked for clarification on the meaning of the Local Plan risk wording	Clarification circulated to members of the committee. The wording has been changed on the Corporate Risk Register

# Agenda Item 3

## Audit Fees – 2019/20

Dear S151 officer,

Given all the turbulence within the audit industry at the moment, it may be helpful to summarise the local audit position in relation to the three financial years spanning 2018-21.

By this time of the year we would normally expect the vast majority of audits of 2018/19 accounts to be a matter of record and consigned to history. However, at the end of January there remain nearly 80 opinions still outstanding. That is an incredibly unsatisfactory position, particularly for all the bodies and auditors concerned, and a significant concern going forward.

In response to the significant challenges, PSAA has recently commissioned independent research into the sustainability of the audit market which we plan to publish soon. As well as informing our own forward planning, we are keen to ensure that this and other research is available to support the work of the Redmond Review.

One of the consequences of the multiple pressures and challenges which have arisen in 2018/19 audits is an increase in the number of proposed fee variations for additional audit work. In previous years the level of such variations has remained relatively stable at around 5% of the sector's aggregate audit fees. However, while PSAA is still awaiting submission of some of the relevant proposals, it is already clear that a higher level of variations is likely to be proposed for 2018/19 than previously.

Meantime, audits of 2019/20 accounts are approaching. In planning for this next round, PSAA has tried to address two of the concerns which featured most frequently in our conversations and exchanges with bodies about their 2018/19 audit experience. Firstly, bodies want greater certainty about when their audit will take place and, if for any reason it cannot be undertaken in time to meet the 31 July target date for publication of audited accounts, they want to know that is the case at the earliest opportunity. Secondly, if there is any likelihood of additional audit work being required which may lead to a fee variation proposal, again bodies want early information and explanation.

Against this backcloth PSAA has therefore worked with auditors to address both of these issues - the planned timetable and any likely fee variations - in their audit planning submissions to bodies as part of a concerted effort to strengthen auditor-audited body communications.

This theme carries through into preparations for audits of 2020/21 accounts. We are currently consulting on the scale of audit fees for this year in accordance with the timetable prescribed in statutory regulations, which requires PSAA to fix the scale of fees before the start of the relevant year of account. <https://www.psa.co.uk/audit-fees/consultation-on-2020-21-audit-fee-scale/>. This means having to set the fees ahead of the results of the completion of the 2018/19 round and ahead of the

commencement of 2019/20 audits. Additionally, in looking ahead to 2020/21, we can also see a series of new developments which are likely to impact on the audit including revised auditing and accounting standards as well as a new Code of Audit Practice. Although these developments will affect all bodies, the impact will vary dependent on the specific local circumstances of each body.

Again, PSAA is encouraging auditors and local bodies to consider these issues in audit planning discussions, to give proper early notice of factors which may require additional work and have implications for fees, and also to allow time for actions which might mitigate risk to the smooth conduct of the audit. We note that the NAO will be consulting on guidance for auditors' work on the new Code of Audit Practice, and so detailed conclusions about how it will affect individual bodies will need to be reserved until the guidance is finalised.

In discussing the fee implications of any factors, whether they relate to developments which affect all bodies or are more specific to an individual local audit, we particularly need the parties to consider both short and long term implications. Some issues will have a one-off impact, affecting a single year. Any resulting variation proposal is for a one-off adjustment. Others will have ongoing implications which may or may not be the same as the impact in the first year. These are likely to point to a need to vary the body's scale fee. Note 1 below explains PSAA's approach to fees more fully, and sets out the importance of revising scale fees where new developments or other local factors have clear ongoing implications.

It is important to stress that the 2019/20 local discussions on fees are happening at the planning stage, which is earlier than has generally been the case in previous years (perhaps not until the results of the audit were reported to you). One of the advantages of earlier discussion is that it allows more time for scrutiny and reflection. If you are unsure about a proposed fee variation, it can be deferred for any relevant information to be collated and examined with a view to revisiting the matter at an agreed later date. Please remember that PSAA reviews and determines every proposed additional fee, whether agreed or not – this is a statutory requirement.

We hope that this information is helpful to you and would be grateful if you would share it with members of your Audit Committee and any other relevant members and officers.

**Tony Crawley**

**Chief Executive**

Public Sector Audit Appointments Limited



Report to the Governance, Audit and Performance Committee

# UTTLESFORD DISTRICT COUNCIL

## GRANTS AND RETURNS

Audit Completion: year ended 31 March 2019

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# INTRODUCTION

## Grant Certification Work

This report summarises the main issues arising from our certification of grant claims and returns for the financial year ended 31 March 2019.

Grant claims and returns are not within the scope of our appointment by PSAA, but Departments may still seek external assurance over the accuracy of the claim or return. These assurance reviews are covered by tripartite agreements between the Council, sponsoring Department and the auditor.

The Council has engaged us to carry out the following for the year ended 31 March 2019:

- 'Agreed-upon procedures', based on the instructions and guidance provided by the Department for Work and Pensions (DWP), of the form MPF720A - Statement of Authority claimed entitlement to Housing Benefit.
- 'Agreed-upon procedures', based on the instructions and guidance provided by the Ministry of Housing, Communities and Local Government (MHCLG), of the Pooling of housing capital receipts return

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during our certification work.

David Eagles, Partner  
for and on behalf of BDO LLP  
11 March 2020

The contents of this report relate only to those matters which came to our attention during the conduct of our agreed procedures which are designed primarily for the purpose of expressing a conclusion or reporting the results of our work on the grants and returns subject to certification. This report has been prepared solely for the use of the Audit Committee and Those Charged with Governance and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person. For more information on our respective responsibilities please see the appendices.

# OVERVIEW

## Executive summary

This table shows the details of each grant claim and return subject to certification by us for the financial year ended 31 March 2019.

Where our work identified issues which resulted in either an amendment and / or a qualification or reported exception, further information is provided on the following pages.

There are no matters to report in respect of our work on the Pooling of housing capital receipts return.

Claim or return	Value of return	Qualification / exceptions	Amended	Submission date	Impact of amendments
Housing benefit subsidy	£13,743,977	Yes	Yes	30 November 2019	Decrease in subsidy claimed of -£2
Pooling of housing capital receipts	£389,088.80	No	No	6 February 2010	N/A



# FEES

## Executive summary

The fees for this work are shown below:

Claim or return	2017/18 Actual fee	2018/19 Planned fee	2018/19 Actual fee	Explanation for fee amendments
Housing benefit subsidy	£22,808*	£17,000	£17,000	N/A
Pooling of housing capital receipts	£2,500	£1,800	£1,800	N/A

\* In 2017/18 the predecessor auditors, EY, performed the work. The fees for the Housing Benefit Subsidy claim were set by PSAA.



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# HOUSING BENEFITS SUBSIDY

## Scheme requirements

Local authorities responsible for managing housing benefit are able to claim subsidies towards the cost of these benefits from central government. The final value of subsidy to be claimed by the Council for the financial year is submitted to central government on form MPF720A, which is subject to certification.

Our work on this claim includes verifying that the Council is using the correct version of its benefits software and that this software has been updated with the correct parameters. We also agree the entries in the claim to underlying records and test a sample of cases from each benefit type to confirm that benefit has been awarded in accordance with the relevant legislation and is shown in the correct cell on form MPF720A.

The draft subsidy return provided for audit recorded amounts claimed as subsidy of £13,743,979.

The final return was amended to £13,743,977.

## Findings

Our audit of 45 individual claimant files highlighted some errors the Council made in administering benefit and calculating subsidy entitlement.

The guidance requires that auditors undertake extended testing of 40 additional cases with similar characteristics ('40+ testing') if initial testing identified errors in the benefit entitlement calculation or in the classification of expenditure. Such testing is also undertaken as part of our follow-up of prior year issues reported. The results of this testing are extrapolated across the population to estimate a potential error amount. Where the error can be isolated to a small population, the whole population can be tested and the claim form amended if appropriate. Where there is no impact on the subsidy claim, for example where the error always results in an underpayment of benefit, we are required to report this as an observation in our qualification letter.

Initial testing resulted in 1 new area of 40+ Testing (HRA Rent Rebate: incorrect uprating of state retirement pension) and 1 area of 100% testing (Pension uprating in Rent Rebates Modified schemes).

2 areas were tested as a result of being reported as prior year issues (Rent Allowances earned income, HRA Rent Rebates eligible overpayments).

A summary of our findings can be found on the following pages.

The final claim was amended to decrease subsidy by £2 to £13,743,977.

However, the potential impact resulting from the extrapolated errors, if DWP was minded to finalise the subsidy based on these findings, would impact the claim form by £336 (Rent allowances Earned income -£117, HRA Rent Rebates expenditure misclassification £219).

Our work was completed and the claim was certified on the deadline of 30 November 2019.

# HOUSING BENEFITS SUBSIDY

Rent Allowances: Earned Income	
Reporting matter	
Adjusted	
Unadjusted error	

## Errors

In 2016/17 and 2017/18 it was identified that the Council had incorrectly assessed earned income elements, resulting in an overpayment of benefit.

No errors of this nature were identified in the initial testing of Rent Allowance cases.

## Additional testing

Due to the errors reported in the previous year, the council were required to undertake 40+ testing to determine whether this issue had continued in 2018/19.

The additional testing identified:

- 4 cases where benefit was overpaid by a total of £14, as a result of using incorrect earned income in the assessment.
- 6 cases which had resulted in an underpayment of housing benefit to a total of £116 in 2018/19 due to miscalculating the claimants earned income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.
- 1 case which had been incorrectly calculated but had no effect on the benefit paid.

## Impact

Based on our extrapolation of the four earned income overpayment errors identified, we estimated the Council overpaid benefits by £117 (0.01% error rate on population of £2,021,763).

If DWP decide to adjust for the extrapolated error reported, this would decrease the subsidy receivable by £117 as local authority error does not attract benefit subsidy.

However, DWP does provide an allowance within the subsidy system to recover local authority errors and as the Council is below the threshold, it would be able to recover this amount through this subsidy allowance.

Therefore, it would not impact on overall subsidy claimed.

# HOUSING BENEFITS SUBSIDY

## HRA Rent Rebates: Cell 067 Expenditure misclassification

Reporting matter

Adjusted

Unadjusted error

### Errors

In 2016/17 and 2017/18 it was identified that the Council had included overpayments in cell 067 that should have been classified as cell 065 LA error and administrative delay eligible overpayments.

No errors of this nature were identified in the initial testing of HRA Rent Rebate cases.

### Additional testing

Due to the errors reported in the previous year, the council were required to undertake 40+ testing to determine whether this issue had continued in 2018/19.

Testing of an additional random sample of 40 cases identified 1 case (total value £73) where the overpayment should have been classified in cell 65 (LA error overpayments) not cell 67. Consequently, cell 67 is overstated and cell 65 is correspondingly understated there is no effect on cell 055.

### Impact

Based on our extrapolation of the overpayment error identified, we estimated the Council overpaid benefits by £219 (0.52% error rate on population of £42,068).

If DWP decide to adjust for the extrapolated error reported, this would decrease the subsidy receivable by £219 as local authority error does not attract benefit subsidy.

However, DWP does provide an allowance within the subsidy system to recover local authority errors and as the Council is below the threshold, it would be able to recover this amount through this subsidy allowance.

Therefore, it would not impact on overall subsidy claimed.

# HOUSING BENEFITS SUBSIDY

## HRA Rent rebates: State Pension

### Errors

Testing of our initial sample of 20 HRA Rent rebate cases identified 2 cases where incorrect state pension figures were used in the calculation.

This resulted in no change in benefit in 1 case and an underpayment of £28 in the other case.

### Additional testing

The Council undertook 40+ testing on cases with a state pension element to check these had been applied correctly as this error could result in an overpayment of benefit.

Five further claims were identified as errors. All of which resulted in an understatement of benefit.

### Impact

There is no eligibility to subsidy for benefit which has not been paid, the underpayments have not, therefore, been classified as errors for subsidy purposes.

Reporting matter

Adjusted

Unadjusted error

# HOUSING BENEFITS SUBSIDY

Modified Schemes:  
Rent Rebates pension  
uprating pre-1973 war  
widows pensions

## Errors

Initial testing found that the 100% government disregard for pre- 1973 war widow's pensions was not uprated to 2018/19 rates resulting in an overstatement of cell 214 by £2.

## Additional testing

There were three other cases within cell 214, we reviewed each case and non of them were in receipt of a pre-1973 war widow's pension.

As a result we were able to conclude that this was an isolated error.

## Impact

The claim form was amended to reflect the original error identified.

Reporting matter

Adjusted

Unadjusted error

FOR MORE INFORMATION:

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The matters raised in our report prepared in connection with the review of grants claims and returns are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the organisation and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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**Committee:** Governance, Audit and Performance Committee

**Date:**

Tuesday, 24 March 2020

**Title:** Housing Benefit Subsidy Audit 2018/19

**Report Author:** Caroline Saych, Benefits Manager

csaych@uttlesford.gov.uk

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## Summary

1. The 2018/19 Housing Benefit (HB) Auditor-Certified Subsidy Claim was submitted to the Department for Work and Pensions (DWP) by the 30<sup>th</sup> November 2019 deadline.
2. The 2018/19 subsidy claim consisted of 177 cells and a total claim value of £13,743,977.
3. Since 2013/14, post audit financial penalties have reduced from £192,633 to £0.00.

## Recommendations

4. None, this is an information only report.

## Financial Implications

5. None, this is an information only report.

## Background Papers

6. None.

## Impact

Communication/Consultation	None
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

## Local Authority (LA) Error/Admin Delay (AD)

7. The LA Error/AD initiative enables LA's to maximise subsidy according to the level of their LA Error/AD overpayments. The level of subsidy that LAs can claim for these overpayments is determined by thresholds, expressed as a percentage, of total correct Housing Benefit (HB) payments. The thresholds are:

- Lower threshold 0.48%
- Upper threshold 0.54%

When the total LA Error/AD overpayment figures are less than or equal to 0.48% of total expenditure, the subsidy rate that can be claimed by the LA relative to these overpayments is 100%. If the overpayment amounts are greater than 0.48% but less than 0.54%, a reduced subsidy rate of 40% can be claimed. If the overpayments equate to over 0.54%, no subsidy can be claimed.

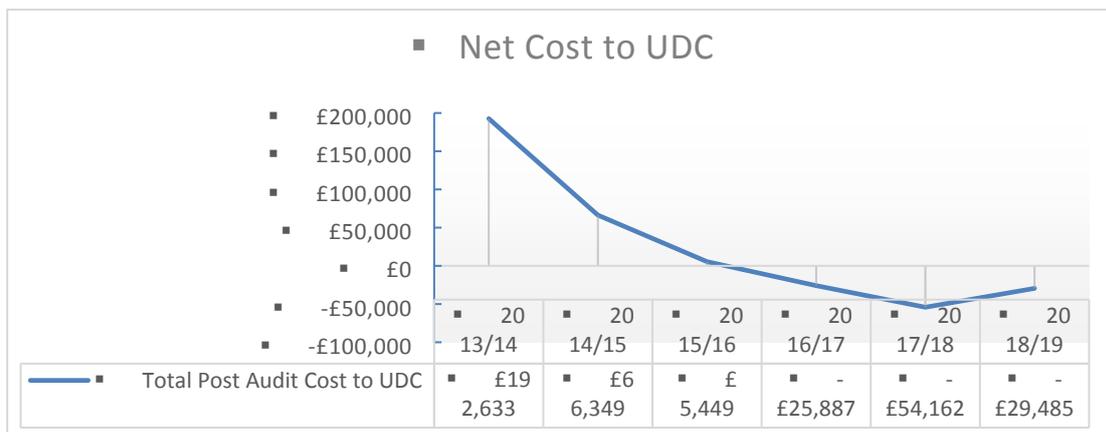
8. As a result of improvements made to the accuracy of HB processing over the past few years, LA Error/AD overpayments during 2018/19 equated to only £29,354, a reduction of £25,788 (or 46.77%) compared to £55,142 created in 2017/18.

9. UDC's 0.48% threshold for 2018/19 was £64,545 meaning 100% of the £29,354 has therefore been retained. If the overpayment figure had exceeded the £64,545 the council would be required to repay the amount to the DWP.

10. Further post audit cell adjustments resulted in an additional £131 standard subsidy being awarded by the DWP.

Since 2013/14, post audit net subsidy income has improved by £222,118 as shown in the table below.

Year	Extrapolation cost	Positive Adjustments	LA Error/Admin Delay Subsidy	Total Post Audit Cost to UDC
2013/14	£192,633	£0	£0	£192,633
2014/15	£66,349	£0	£0	£66,349
2015/16	£8,712	-£3,263	£0	£5,449
2016/17	£19,454	-£883	-£44,458	-£25,887
2017/18	£980	£0	-£55,142	-£54,162
2018/19	£0	-£131	-£29,354	-£29,485



11. The benefits team will continue to address LA Error/AD delay overpayments and ensure further improvements in the accuracy of processing where necessary.

### Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
The quality and accuracy of the benefit team deteriorates and/or improvements in accuracy are not achieved.	2 - Difficulty in recruiting/retaining experienced assessment officers have resulted in a relatively new/inexperienced team. Training programmes and subsidy/quality checking processes in place but new staff still pose a greater risk of error.	3 – The identification of small financial errors can result in large extrapolated values.	Permanent Subsidy Officer. Subsidy maximisation and high risk areas of assessment are now being targeted as part of this post.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

<b>Committee:</b>	Governance, Audit and Performance	<b>Date:</b>
<b>Title:</b>	Discretionary Council Tax Relief Policy	Tuesday, 24 March 2020
<b>Report Author:</b>	Sue Ellis, Revenues Manager sellis@uttlesford.gov.uk	<b>Item for decision:</b> Yes

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## Summary

1. S13A(1)(c) of the Local Government Finance Act gives billing authorities (those responsible for the billing and collection of council tax) the discretionary power to reduce, or further reduce, the amount of council tax a person is liable to pay. This power is applied in cases of exceptional hardship.
2. In December 2019, Leaders and Chief Executives of the County, district, borough and city councils in Essex agreed that they would like to support care leavers with their council tax liabilities.
3. The Local Government Finance Act 2012 amended the Local Government Finance Act 1992 allowing local discretion over the implementation of certain discounts in place of statutory exemptions and also allows for the use of premiums for certain long term empty premises.
4. Council Tax Premiums apply to all unoccupied and unfurnished properties in Uttlesford after a period of 2 years has elapsed since the property became unoccupied. Where there are mitigating circumstances it may be deemed that the premium is not appropriate and can be waived subject to qualifying criteria.

## Recommendations

5. The Committee is requested to recommend to Council the adoption of the following policies as set out in the report and associated appendices;
  - a. That a Council Tax discretionary discount for Essex Care Leavers as set out in Appendix A is applied
  - b. That the Empty Property Premium Waiver as set out in Appendix C is applied

## Financial Implications

6. The cost of the discount applied to Care leavers will be shared with Essex County Council, who have agreed to fund up to 72% of the cost through the precept. It is hard to quantify the number of Care leavers in the Uttlesford District area due to Data Protection principles Essex County Council are unable to release the numbers to us, however it is expected the numbers to very low.

The Council Tax Premium waiver will be fully funded by Uttlesford, the estimated income collectable in 2020 is £144,020 and the forecast prediction of properties that may qualify for the waiver is 10 at an average cost per property of £1,921 per property.

## Background Papers

7. None

## Impact

Communication/Consultation	None
Community Safety	None
Equalities	Yes
Health and Safety	None
Human Rights/Legal Implications	Compliance with relevant legislation
Sustainability	<ul style="list-style-type: none"> <li>• UDC will be refunded by ECC via precept 72% of the cost of the care leavers scheme</li> <li>• UDC will meet the full cost of the Council Tax Premium waiver</li> </ul>
Ward-specific impacts	None
Workforce/Workplace	None

## Care Leavers Discount Policy

8. The Council Tax Care Leavers policy is attached as Appendix A and has been discussed by Essex Chief Executives and Leaders and Essex Finance Officers Association. For consistency the same policy will be introduced across Essex.
9. The policy applies to specified persons leaving the care of Essex County Council until they reach the age of 21. The unitary authorities of Thurrock and Southend have implemented their own policies covering their own care leavers.
10. The principle behind the policy is that a care leaver living alone or solely with other care leavers will pay no council tax (in much the same way as the exemption which is applied to students). A care leaver who joins a household which already pays council tax will be granted as much relief as is required to

ensure that the existing council tax liability does not increase as a result of their presence in the household.

11. In all cases, the care leaver is required to ensure that they apply for all applicable national or local reliefs, discounts, exemptions or reductions to ensure that the council tax liability is reduced by as much as possible before any discretionary assistance is calculated.
12. The policy will take effect from 1 April 2020.

### **Council Tax Premium waiver**

13. The Local Government Finance Act 2012 amended the Local Government Finance Act 1992 allowing local discretion over the implementation of certain discounts in place of statutory exemptions and also allows for the use of premiums for certain long term empty premises.
14. The intention of Central Government is to allow Councils the flexibility to raise additional Council Tax and to ensure that premises do not remain unoccupied or unused for extensive periods of time.
15. Council Tax Premiums apply to all unoccupied and unfurnished properties in Uttlesford after a period of 2 years has elapsed since the property became unoccupied, irrespective of the individual circumstances relating to the property or owner.
16. There are mitigating circumstances where it may be deemed that the premium is not appropriate and can be waived providing the qualifying criteria is met.
17. The proposed exceptions are set out in Appendix C of the Council Tax Empty Property Policy (Appendix B), the waiver on the premium will be by application and full supporting evidence will be required in each case.
18. The Policy will take effect from the 1<sup>st</sup> April 2020 and each application will be considered by the Revenues Manager in consultation with the Assistant Director of Resources.

### **Risk Analysis**

Risk	Likelihood	Impact	Mitigating actions
Care leavers cost implications could be higher than anticipated	1-The number of Care leavers in UDC area is low this maybe underestimated	1 – reduction in council tax collectable income	ECC sharing the costs (72% of the total cost of discount) Regular monitoring of the level of relief awarded on a quarterly basis

Council Tax Premium Waiver will be higher than budgeted	2 – The number of applications are estimated only, however in the last financial year approx. only 5 affected property owners provided representations against the charge	2 – The financial impact for the Council is moderate	Robust policy with clear and concise qualifying criteria  Review of the amount of premiums waived will be reviewed on a quarterly basis
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- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.

## **Discretionary Council Tax Discount Policy**

### **Care Leavers Discretionary Discount**

#### **Introduction**

This policy utilises the discretionary power available to billing authorities arising from S13A(1)(c) of the Local Government Finance Act 1992 to reduce, or further reduce, the amount of council tax a care leaver is liable to pay with effect from 1 April 2020.

#### **Definitions**

For the purpose of this policy, a 'care leaver' is defined as:

A person aged up to 21, who has either

- (a) been looked after by Essex County Council 'Essex' for at least 13 weeks since the age of 14; and who was looked after by the local authority at school-leaving age or after that date; or
- (b) who is entitled to leaving care support from Essex

The Children Act 1989 defines the categories of children entitled to leaving care support as:

'Eligible children' are those young people aged 16-17 who are still in care and have been 'looked after' for a total of 13 weeks from the age of 14 and including their 16th birthday;

'Relevant children' are those young people aged 16 and 17 who have already left care, and who were 'looked after' for at least 13 weeks from the age of 14 and have been 'looked after' at some time while they were 16 or 17;

'Former relevant children' are those young people aged 18, 19 or 20 who have been eligible and/or relevant.

#### **Policy statement**

For the purpose of calculating the amount of discretionary council tax reduction to apply, care leavers and those in their household are required to take steps to minimise their liability for council tax by claiming discounts, exemptions and council tax reduction.

After all discounts, exemptions and council tax reduction have been claimed the Council will reduce the council tax liability so that the liability of the household is the same as it would have been had the care leaver been a 'disregarded persons' (such as students) as detailed in s11 and Schedule 1 of the Local Government Finance Act 1992.

For example:

A care leaver joining an existing household with a single person discount in place will be given sufficient discretionary relief to ensure that the council tax liability does not increase as a result of their presence.

A household where only care leavers are liable to pay council tax will be given sufficient discretionary relief to extinguish the council tax liability completely.

A care leaver in a property, which would otherwise be exempt from council tax, will be given sufficient discretionary relief to ensure that no council tax continues to be payable.

## Council Tax Empty Property Policy

### Introduction

- The Local Government Finance Act 1992 and associated regulations sets out the mechanism for levying council tax on domestic properties.
- Section 11A of the regulations give Councils some discretion in setting the level of council tax charged in respect of unoccupied properties and second homes
- The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 allows Councils to levy a higher amount of Council Tax for long-term empty dwellings that are unoccupied and unfurnished. This is known as an empty property premium.

### Purpose and principles of this policy

The purpose of this policy is to set out the charges to be levied in respect of unoccupied and unfurnished properties in relation to the Councils discretionary powers.

This policy also sets out guidelines to be applied when deciding whether an exception/waiver to applying the empty property premium may be considered as set out in Appendix C.

### Charges to be levied

The Council has resolved to charge Council Tax for empty (unoccupied and unfurnished properties) and second homes as follows;

#### With effect from the 1<sup>st</sup> April 2013

Properties empty (unoccupied and unfurnished) for up to 6 months	100% Discount
Properties empty (unoccupied and unfurnished) > 6 months	0% Discount (full charge)
Properties empty requiring structural or major repair work (unoccupied and unfurnished) for up to 12 months	100% Discount
Properties empty requiring structural and major repair work (unoccupied and unfurnished) for > 12 months	0% Discount (full charge)

Furnished properties and second homes	10 % Discount (This does not apply to dwellings regarded as Job-Related where the 50% discount will still apply.)
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**With effect from the 1<sup>st</sup> April 2014**

Properties empty (unoccupied and unfurnished) for up to 6 months	50% Discount
Properties empty (unoccupied and unfurnished) for > 6 months and up to 2 years	0% Discount (full charge)
Properties empty requiring structural or major repair work (unoccupied and unfurnished) for up to 12 months	50% Discount
Properties empty requiring structural and major repair work (unoccupied and unfurnished) for > 12 months and up to 2 years	0% Discount (full charge)
Furnished properties and second homes	0% Discount (full charge) (This does not apply to dwellings regarded as Job-Related where the 50% discount will still apply.)
Properties empty (unoccupied and unfurnished) for 2 years or more	150% charge (includes 50% empty property premium)

**With effect from April 2019**

Properties empty (unoccupied and unfurnished) for up to 6 months	50% Discount
Properties empty (unoccupied and unfurnished) for 6 months and up to 2 years	0% Discount (full charge)
Properties empty requiring structural or major repair work (unoccupied and unfurnished) for up to 12 months	50% Discount
Properties empty requiring structural and major repair work (unoccupied and unfurnished) for over 1 year and up to 2 years	0% Discount (full charge)

Furnished properties and second homes	0% Discount (full charge) (This does not apply to dwellings regarded as Job-Related where the 50% discount will still apply.)
Properties empty (unoccupied and unfurnished) for 2 years or more	200% charge (includes 100% empty property premium)

**With effect from the 1<sup>st</sup> April 2020**

Properties empty (unoccupied and unfurnished) for up to 6 months	50% Discount
Properties empty (unoccupied and unfurnished) for 6 months and up to 2 years	0% Discount (full charge)
Properties empty requiring structural or major repair work (unoccupied and unfurnished) for up to 12 months	50% Discount
Properties empty requiring structural and major repair work (unoccupied and unfurnished) for over 1 year and up to 2 years	0% Discount (full charge)
Furnished properties and second homes	0% Discount (full charge) (This does not apply to dwellings regarded as Job-Related where the 50% discount will still apply.)
Properties empty (unoccupied and unfurnished) for 2 years or more	200% charge (includes 100% empty property premium)

Any periods of occupation of six weeks or less will be disregarded when considering how long a property has been empty.

**Statutory exceptions**

No empty property premium can be applied to properties;

- Properties which would be the sole or main residence of an individual who is residing in armed forces accommodation where this is job-related
- Properties which form part of a single property including at least one other dwelling and is being used by a resident of the other dwelling as their sole or main residence

## **Appeal**

If you do not agree with the amount of Council Tax you are liable to pay you can appeal. To do this you must:-

- Notify us in writing why you think you are not liable
- We will respond with the reasons for our decision, if you still do not agree or you do not receive a reply from us within 4 months then you can appeal to the Valuation Tribunal
- Further details on how to appeal to the Valuation Tribunal can be found here <https://www.valuationtribunal.gov.uk/your-appeal-type/council-tax/council-tax-liability-2/> or by contacting the Valuation Tribunal Service on 0300 123 2035

## Discretionary Council Tax Discount Policy

### Empty Property Premium Waiver

#### Introduction

Section 13A (1)(c) of the Local Government Finance Act 1992 gives the Council the discretionary power to reduce liability for council tax in relation to particular cases or by determining a class of cases that it may determine and where national discounts and exemptions cannot be applied. Section 13A(1) states, 'Where a person is liable to pay Council Tax in respect of any chargeable dwelling and any day, the billing authority for the area in which the dwelling is situated may reduce the amount which he is liable to pay as respects the dwelling and the day to such extent as it thinks fit.'

This appendix introduces a class of exceptions where the council tax premium will be reduced subject to the defined eligibility criteria being met. This class relates to Empty Property Premium waivers.

#### Qualifying Criteria

These are the exceptional circumstances in which the premium charge may be considered to be waived:

- **Change of ownership** – only where the new owner has taken genuine action to return the property to occupation within a period of six months from taking ownership and can provide evidence that the action has been continuous and realistic.
- **Properties left to someone in a will and in need of renovation** – only where the new owner takes action to return the property to occupation within a period of six months from taking ownership and can provide evidence that the action has been continuous and realistic.
- **Legal or official actions causing a delay** – only where action to return the property to occupation has been delayed by legal action or by the actions of any official body with powers to take such action e.g. the council, solicitors or a utility company, etc... Action to return the property to occupation within a period of six months from the date the official action ended and can provide evidence that the action has been continuous and realistic.
- **Properties with a restrictive covenant** – only where the owner is genuinely seeking to sell or rent the property in the prevailing local market conditions (realistic selling price or rent level) and can provide evidence that the action has been continuous and realistic.

- **Where the owner is in negotiation with the council's Empty Homes Team** - with a genuine view to returning the empty property back into occupation at the earliest possible date.
- **Listed Buildings** - where the property has been empty for two years or more and the owner needs to carry out major repairs to bring the property back into occupation and the property is a Listed Building. In this scenario the decision to grant a waiver will take into account the major repairs required and what is considered a reasonable time to complete the repairs.
- **Cases where the dwelling** has remained empty beyond a two year period due to exceptional and/or unforeseen circumstances and/or any other circumstances, proven to be beyond the control of the owner/liable person.

All requests for a waiver must be made in writing and sent to:

Uttlesford District Council  
 Revenue Services  
 Council Offices  
 London Road  
 Saffron Walden  
 Essex  
 CB11 3SJ

All requests must include documentary evidence showing that genuine, continuous and realistic action to bring the property into occupation is being taken.

The premium charge will not be waived where evidence suggests that the owner hasn't taken all possible steps to return the property to occupation. In the case of a property for sale, the premium charge will not be waived where evidence suggests that the asking price is too high and in the case of a property for rent it will not be waived where evidence suggests that the rent is too high.

The premium charge will not be waived where evidence suggests that the owner has caused any delay in works being started within the six month period from the date of their ownership. If works were started within the six month period but there has been a delay after that period, the premium charge will not be waived where evidence suggests that the owner is responsible for the delay in completing the works.

### **Discount Scheme**

In all cases, the Council will decide the length of time for which a waiver will be awarded on the basis of the evidence supplied and the facts known. The start date of a waiver will normally be the date the application is received by the Council, providing the Council is satisfied the reasons for the waiver existed at that time, and the waiver will continue until the end of the financial year, subject to those circumstances continuing.

The Council will review the award and request confirmation that the circumstances leading to the award of the waiver remain applicable. The Council reserves the right to make routine inspections of the property at any point during the period of the waiver. It is expected that the property will be occupied by the end of the period of waiver. Where this is the case, the Premium will no longer apply. Where that is not the case, and the Property remains empty, the waiver will be removed and Premium will be charged retrospectively.

### **Change of Circumstances**

The Council may need to revise the decision to grant a waiver to the Premium if it becomes aware that the circumstances of an applicant have materially changed. Individuals must immediately advise the Council of any change in circumstances affecting the decision within 21 days of the change. Failure to do so may result in the waiver being revoked in full.

### **Right of Appeal**

Under Section 16 of the Local Government Finance Act 1992, there is a right of appeal if a customer applying for a discretionary reduction under Section 13A (1) (c) is not happy with the Council's decision. The appeal must be made in writing to the Revenues Service. The Council will then reconsider the discount request, together with any additional information provided by the customer against the policy criteria. If the original decision is upheld and the customer remains unhappy, or the Council does not make a decision within two months, there is a further right of appeal to the Valuation Tribunal. The Valuation Tribunal for England is an independent body which adjudicates on disputes between taxpayers and the Council.

Appeals must be made directly to the Valuation Tribunal.

# Agenda Item 6

<b>Committee:</b>	Governance, Audit and Performance Committee	<b>Date:</b>	Tuesday, 24 March 2020
<b>Title:</b>	Financial Regulations and Contract Procedure Rules		
<b>Report Author:</b>	Angela Knight, Assistant Director - Resources aknight@uttlesford.gov.uk		

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## Summary

1. Financial Regulations and Contract Procedure Rules provide the framework for managing the council's financial affairs and form part of the Constitution.
2. Financial Regulations (Appendix A) sets out the governance by which the Council's financial resources and systems should be managed and operated. They were last formally reviewed and approved in July 2014.
3. Contracts Procedure Rules (Appendix B) govern all contracts for the procurement of goods, services and works. These were last formally reviewed and approved in July 2014.
4. The Financial Regulations and Contract Procedure Rules have been reviewed by Officers in order to ensure that they remain relevant and fit for purpose.

## Recommendations

5. The Committee is requested to review and endorse the Financial Regulations and Contract Procedure Rules, for approval by Full Council on the 3 December.

## Financial Implications

6. None

## Background Papers

7. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.
  - Local Government Act 1972
  - Public Contracts Regulations 2015
  - Concession Contracts 2016
  - Social Value Act 2012
  - Localism Act 2011
  - CPFA Guidance 'The Code'

## Impact

8.

Communication/Consultation	CMT and Internal Audit have been consulted
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

9. The Financial Regulations (Appendix A) and Contract Procedure Rules (Appendix B) form part of the Councils Constitution and its Standing Orders. They support the regulatory framework for managing the council's financial affairs and the procurement of works, goods and services.
10. These documents have been drawn up to ensure the financial matters of the Council are conducted properly and are in line with the requirements of legislation.
11. The Financial Regulations ensure the use of resources is legal, properly authorised and achieves best value.
12. The Contract Procedure Rules ensure that all procurement processes allow true and fair competition, public accountability, a fair and transparent process and seek to prevent bribery and corruption.
13. All Members and Officers have a responsibility to provide for the security of the assets under their control.

## Risk Analysis

14.

Risk	Likelihood	Impact	Mitigating actions
Financial Regulations are not complied with, leading to inadequate financial control	2 (the Council has a culture of sound financial control)	2 (a serious breach could have financial and/or disciplinary implications)	Training and guidance for officers. Internal Audit programme to ensure compliance. Monitoring by CFO.

<p>Contracts Procedure Rules are not complied with, leading to breach of procurement rules and/or reduced value for money</p>			<p>Oversight by Members</p>
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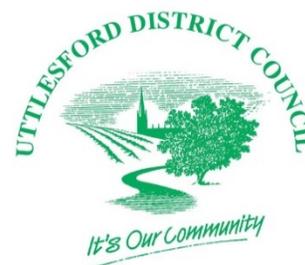


# Uttlesford District Council

## Financial Regulations



To be submitted to Full Council  
22 April 2020



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## **1. INTRODUCTION**

- 1.1 These Financial Regulations are based upon CIPFA guidance with amendments to reflect the Council's requirements.
- 1.2 Financial Regulations provide the framework for managing the Council's financial affairs. They apply to every Member and Officer of the Council and anyone acting on its behalf.
- 1.3 All Members and Officers have a general responsibility to provide for the security of the assets under their control, and for ensuring that the use of resources is legal, properly authorised and achieves best value.
- 1.4 Reference to the 'CFO' in this document means the Officer appointed to act as Section 151 Officer.
- 1.5 Financial Regulations are to be used in conjunction with the Constitution and Scheme of Delegation and the CFO, in consultation with the Monitoring Officer, shall determine any matter on which conflict may arise.
- 1.6 The CFO shall issue advice and guidance to underpin the financial regulations.
- 1.7 The CFO shall review the Financial Regulations and submit any revisions necessary to the Audit Committee and then Full Council for approval. The CFO shall report, where appropriate, breaches of the Financial Regulations to the Full Council and/or other appropriate committees.
- 1.8 The Regulations refer to the responsibilities of Chief Officers (COs) and Deputy Chief Officers (DCOs). In this context COs are the Chief Executive and Chief Officers as defined by the Local Government & Housing Act (LGHA) 1989. In practice this means the Monitoring Officer, Section 151 Officer (CFO) and Directors. DCOs are as defined in the LGHA 1989 and are those senior officers responsible for managing services and who report directly to a CO. The advantage of using this terminology is that future changes to structure or job title will not render the Regulations out of date.
- 1.9 Any duties and responsibilities of COs & DCOs in these Financial Regulations may be delegated to another officer with the agreement of the CFO. The terms of any such delegation shall be documented in a form approved by the CFO. Any reference to COs & DCOs in these Regulations shall be deemed to be a reference to such authorised officers.
- 1.10 Failure to observe these Regulations may be classified as misconduct justifying disciplinary action.

## **2. FINANCIAL MANAGEMENT**

### **Introduction**

- 2.1 Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework and budget.

### **Full Council**

- 2.2 The Full Council shall adopt the Council's constitution and Members' code of conduct and approve the policy framework and budget within which the Council operates. This includes responsibility for approving Financial Regulations, based upon recommendations by the Audit Committee.

### **Cabinet and Committees**

- 2.3 The Cabinet shall prepare annual estimates of revenue and capital expenditure for recommendation to the Full Council as part of the annual budget setting process. The Cabinet shall monitor the use of approved budgets.
- 2.4 The Audit Committee shall discharge the functions of an audit committee including approval of the audited annual statement of accounts and receiving internal audit and external audit reports. The Committee shall monitor progress against improvement plans including those arising from the external audit and inspection programme.
- 2.5 The Audit Committee shall review and scrutinize the policies and performance of the Council including the scrutiny of financial management arrangements and the examination of specific financial issues or areas of underperformance at the request of the Council or Committees.

### **Chief Finance Officer (CFO)**

- 2.6 The CFO has statutory duties in relation to the financial administration and stewardship of the Council. This statutory responsibility cannot be overridden. The statutory duties arise from:
- Local Government Act 1972
  - Local Government Finance Act 1988
  - Local Government Act 2003
  - Accounts and Audit Regulations
- 2.7 Under Section 151 of the Local Government Act 1972 the CFO is responsible for the proper administration of the Council's financial affairs.
- 2.8 Section 114 of the Local Government Finance Act 1988 requires the CFO to report to the Full Council and external auditor of the Council if one of its officers or Members:
- has made, or is about to make, a decision which involves incurring unlawful expenditure
  - has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the Council
  - is about to make an unlawful entry in the Council's accounts.

- 2.9 Section 114 of the 1988 Act also requires:
- the CFO to nominate a properly qualified member of staff to deputize should he or she be unable to perform the duties under section 114 personally
  - The Council to provide the CFO with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.
- 2.10 Under Section 25 of the Local Government Act 2003, the CFO shall provide advice to the Council on the robustness of estimates and adequacy of reserves. The Council shall take account of this advice when determining its annual budget and council tax requirement.
- 2.11 The CFO shall advise the Cabinet or Full Council about whether a decision is likely to be considered contrary or not wholly in accordance with the budget. Actions that may be ‘contrary to the budget’ include:
- initiating a new policy without sufficient funding in place for its implementation
  - committing expenditure in future years
  - incurring internal transfers above virement limits.
- 2.12 The CFO shall establish accounting policies and ensure that they are applied consistently.
- 2.13 The CFO shall determine the accounting procedures and records for the Council.
- 2.14 The CFO shall ensure that the annual statement of accounts is prepared in accordance with the *CIPFA Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice*.
- 2.15 The CFO shall certify the draft statement of accounts prior to publication and audit.
- 2.16 The Audit Committee shall approve the audited annual statement of accounts.
- 2.17 The CFO is responsible for determining financial procedures and for advising Members and Officers on financial administration and management.

### **Chief Officers (COs) and Deputy Chief Officers (DCOs)**

- 2.18 COs & DCOs are defined in paragraph 1.8 above.
- 2.19 COs & DCOs shall ensure that appropriate Members are advised of the financial implications of all proposals and that the financial implications have been agreed by the CFO or his nominee.
- 2.20 COs & DCOs shall consult collectively and individually with the CFO and seek approval on any matter liable to affect the Council’s finances before any commitments are incurred.

### **3. FINANCIAL PLANNING**

#### **Introduction**

3.1 The Full Council shall agree the Council's policy framework and budget, the latter being coordinated and proposed by the Cabinet. In terms of financial planning, the key elements are:

- Corporate Plan
- Corporate Risk Register
- Medium Term Financial Strategy
- General Fund annual revenue budget and Council Tax resolution
- Housing Revenue Account annual revenue budget
- Capital Programme
- Capital Strategy
- Treasury Management Strategy
- Commercial/Investment Strategy

#### **Policy framework**

3.2 The Full Council shall approve procedures for agreeing variations to approved budgets. The Full Council shall set the level at which the Cabinet may reallocate budget funds from one service to another. The Cabinet shall take in-year decisions on resources and priorities in order to deliver the budget policy framework within the financial limits set by the Council. In practice, approval of these Financial Regulations by the Council includes *inter alia* approval of these items.

#### **Budget preparation**

- 3.3 The CFO shall develop and maintain a resource allocation process that ensures due consideration of Full Council's policy framework. This shall involve both revenue and capital expenditure projections together with ensuring that all funding opportunities are investigated.
- 3.4 The CFO shall ensure that a Council revenue budget requirement is prepared on an annual basis and a general revenue projection on a minimum three-yearly basis for consideration by the Cabinet, before submission to Full Council.
- 3.5 The CFO shall ensure that a capital programme is prepared on an annual basis for consideration by the Cabinet before submission to Full Council.
- 3.6 COs & DCOs shall ensure that budget estimates reflecting agreed service plans are submitted to the Cabinet and that these estimates are prepared in line with guidance issued by the CFO. Full Council may amend the budget or ask the Cabinet to reconsider it before approving it in accordance with the Council's Budget and Policy Framework Procedure Rules.

#### **Budget monitoring and control**

3.7 The CFO shall provide appropriate financial information to enable budgets to be monitored effectively. The CFO shall monitor expenditure against budget allocations and report to the Cabinet on the overall position on a regular basis, no less than four times during the year.

- 3.8 COs & DCOs shall control income and expenditure within their area and monitor performance, taking account of financial information provided by the CFO and advice provided by finance staff. They shall report on variances within their own areas. They shall take any action necessary to avoid exceeding their budget allocation and alert the CFO to any problems.

#### **Maintenance of reserves**

- 3.9 The CFO shall advise the Full Council on prudent levels of reserves for the Council and shall monitor that the target level of reserves is maintained.

### **4. RISK MANAGEMENT**

#### **Introduction**

- 4.1 It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

#### **Risk management**

- 4.2 The Audit Committee shall approve the Council's risk management policy and will review the effectiveness of risk management.
- 4.3 The Corporate Management Team (CMT) shall prepare the Council's risk management policy statement and promote it throughout the Council. The CFO shall advise the Cabinet on proper insurance cover where appropriate.

#### **Internal control**

- 4.4 Internal control refers to the systems of control devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.
- 4.5 The CFO shall advise on effective systems of internal control. These arrangements need to ensure compliance with all applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the authorities that govern their use.
- 4.6 COs & DCOs shall establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their financial performance targets.

### **Audit requirements**

- 4.7 The Accounts and Audit Regulations 2015 as subsequently amended require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. In addition, compliance with Public Sector Internal Audit Standards is mandatory for all Internal Auditors working in the UK public sector. The Monitoring Officer shall ensure that this is achieved.
- 4.8 The Council will appoint their own external auditors by either engagement through procurement or using the Public Sector Appointments Limited (PSAA). The duties of the external auditor are governed by Local Audit and Accountability Act 2014.
- 4.9 The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs, who have statutory rights of access.

### **Preventing fraud and corruption**

- 4.10 The Monitoring Officer shall develop and maintain Counter Fraud and Corruption Strategy and Policies.
- 4.11 All instances of suspected fraud and corruption should be reported in accordance with the Counter Fraud and Corruption Strategy and Policies which include the Whistleblowing Policy (HRP61).
- 4.12 All instances of suspected bribery or attempted bribery should be reported in accordance with the Counter Fraud and Corruption Strategy and Policies which include the Whistleblowing Policy (HRP61).

### **Money Laundering**

- 4.13 The Monitoring Officer shall ensure that proper procedures are in place to combat the possibility of the Council being used for money laundering purposes.

### **Treasury management**

- 4.14 The Council has adopted CIPFA's Code of Practice for *Treasury Management in the Public Services*.

#### *Clauses to be formally adopted*

- 4.15 The Council will create and maintain, as the cornerstones for effective treasury management:
- a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

- 4.16 The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the Council materially deviating from the Code's key principles.
- 4.17 The Full Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
- 4.18 The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance and Corporate Services, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- 4.19 Should the treasury management strategy and policies require scrutinising, the Council nominates Scrutiny Committee to perform this function

## **5. SYSTEMS AND PROCEDURES**

### **Introduction**

- 5.1 Sound systems and procedures are essential to an effective framework of accountability and control.

### **Financial Systems**

- 5.2 The CFO is responsible for the soundness of the Council's financial systems, the form of accounts and the supporting financial records. Any changes made by COs & DCOs to the existing financial systems or the establishment of new systems shall be approved by the CFO. This includes, but is not restricted to, financial systems and procedures relating to the following:

- Purchasing & procurement
- Supplier payments
- Payroll
- Treasury Management
- Council Tax
- NNDR
- Housing & Council Tax Benefits
- Income collection & revenues recovery

- 5.3 COs & DCOs shall ensure proper operation of financial processes in their own areas of operation.

- 5.4 COs & DCOs shall ensure that their staff receives relevant training on the use of financial systems that has been approved by the CFO.

### **Scheme of Delegation**

- 5.5 COs & DCOs shall ensure that a proper scheme of delegation has been established within their area and is operating effectively. The scheme of delegation shall identify staff authorised to act on that person's behalf, or on

behalf of the appropriate committee in respect of payments, income collection and placing orders, together with the limits of their authority.

## **6. EXTERNAL ARRANGEMENTS**

### **Introduction**

- 6.1 The Council provides a distinctive leadership role for the community and brings together the contributions of the various stakeholders. It may also act to achieve the promotion or improvement of the economic, social or environmental well-being of its area.

### **Partnerships**

- 6.2 The Council shall approve delegations, including frameworks for partnerships. The Council is a focus for forming partnerships with other local, public, private, voluntary and community sector organizations to address local needs.
- 6.3 Members, the Chief Executive and other Officers as appropriate, represent the Council on partnership and external bodies, in accordance with the scheme of delegation.
- 6.4 The CFO shall promote and maintain the same high standards of conduct with regard to financial administration in partnerships that apply throughout the Council.
- 6.5 The CFO shall ensure that the accounting arrangements to be adopted relating to partnerships and any joint ventures are satisfactory. In consultation with the Monitoring Officer, the CFO shall consider the overall corporate governance arrangements and legal issues when arranging contracts with external bodies. The CFO shall ensure that the risks have been fully appraised before agreements are entered into with external bodies.
- 6.6 COs & DCOs shall ensure that appropriate approvals are obtained before any negotiations are concluded in relation to work with external bodies.

### **External funding**

- 6.7 The Council will identify and keep under review potential sources of external grant funding, and seek to maximise the drawdown of such funds subject to compatibility with the priorities and principles described in the Corporate Plan and Medium Term Financial Strategy.
- 6.8 Before a grant funded scheme commences, COs & DCOs shall:
- a) Ensure that the proposed scheme is consistent with Corporate Priorities and Objectives in the Service Plan.
  - b) Ensure that the funding body's requirements and eligibility criteria in relation to monitoring are understood and can be fulfilled.
  - c) Consult with the CFO prior to submitting an application for grant funding.
  - d) Identify existing budget provision and/or use of earmarked reserves before committing to match funding.

- e) Obtain CFO approval for the use of any earmarked reserves.
  - f) Follow the requirements of the Prevention of Money Laundering Procedures where applicable.
  - g) Ensure the application for grant funding is signed off by the CFO.
  - h) Ensure that the application requests the funding body to clearly identify the relevant service and/or grant scheme when making grant payments.
  - i) Ensure a payments schedule is provided by the funding body for the receipt of grant payments.
- 6.9 After a grant has been awarded, COs & DCOs shall:
- a) Supply monitoring information and claims to the awarding body in accordance with the agreed schedule.
  - b) Notify the awarding body of any significant changes to the agreement as stated in grant criteria in a timely manner.
  - c) Only use grants for the purpose intended as stated in the grant agreement.
  - d) Grant funding of a one off nature must not be used to support ongoing service expenditure.
  - e) Maintain all supporting records in accordance with the grant agreement.
  - f) Consult with the CFO prior to submitting a claim for grant monies.
  - g) Claim the maximum funding entitlement under the grant scheme conditions.
- 6.10 The CFO shall
- a) Advise and assist the Deputy Chief Officers with the provisions as set out above.
  - b) Ensure all income and expenditure relating to the grant scheme is available and in a clear and understandable format.
  - c) Provide clear information on the distinction between revenue and capital monies.
  - d) Ensure that a clear and accurate audit trail is maintained of all income and expenditure relating to the grant scheme.
  - e) Ensure that all funding notified by external bodies is received and properly recorded in the Council's accounts.

### **Work for third parties**

- 6.11 The Cabinet shall approve the contractual arrangements for any work for third parties or external bodies.

### **Trading accounts**

- 6.12 Cabinet shall approve the establishment of trading accounts and wholly owned companies of the Council.

## **7. VIREMENT, YEAR END BALANCES AND SUPPLEMENTARY ESTIMATES**

### **Scheme of virement**

- 7.1 A virement is the transfer of money from one approved Service Budget to another and from one Subjective Code to another. A Service Budget is categorized by a separate entry in the Budget Book (e.g. Animal Warden). Budget Holder responsibility for each Service budget is also detailed in the Budget Book. A Subjective Code is a category of expenditure or income e.g. salaries, premises costs, fees & charges income.
- 7.2 Budget Holders are authorised to incur expenditure in accordance with the budget approved by Full Council. Inevitably, changes in the underlying assumptions that underpin the budget occur, necessitating budget adjustments. The scheme of virement provides flexibility to manage budgets within the overall policy framework determined by Full Council.
- 7.3 The Council shall operate a Rolling Budget. A Rolling Budget means that virements shall be enacted as and when changes in circumstances or assumptions underlying the budget occur, and ensures that actual transactions are reported and monitored against an up to date budget.
- 7.4 A virement does not create additional budget availability. Budget Holders shall manage their budgets responsibly and avoid supporting additional recurring expenditure from one off sources of income and avoid creating future commitments, including full-year effects of decisions made part way through a year, for which they have not identified future resources.

### **Virement rules**

- 7.5 The following general restrictions on virements shall apply:
- A virement is only permissible if there has been a change in circumstances or assumptions that underpin the original budget approval. Virements for the purpose of masking variances from the approved budget shall not be allowed.
  - The net effect of any and all virements on the Council's net budget requirement shall always be neutral.
  - Virements from non-pay to pay Subjective Codes are not permitted except when to do so would represent good value for money (e.g. replacement of agency staff budget with temporary salaries budget). This will be determined by the CFO.
  - Virements between the General Fund and Housing Revenue Account are not permitted.
  - Virements between revenue and capital budgets are not permitted.
  - No virement relating to a specific financial year should be made after 31 March in that year.
  - The minimum level for virements is £1,000.

- Authorisation of virements shall be in writing using a form determined by the CFO for the purpose.
- 7.6 Virements between Subjective Codes within a Service Budget may be authorised by the Budget Holder, without financial limit.
- 7.7 Budget Holders may authorise virements of up to £10,000 between Service Budgets they are responsible for as detailed in the budget book. Such virements require additional authorisation by the CFO.
- 7.8 Virements of up to £10,000 between Service Budgets controlled by different Budget Holders may be made if approved by those Budget Holders. Such virements require additional authorisation by the CFO.
- 7.9 Virements between Service Budgets exceeding £10,000 and up to £50,000 require the authorisation of CMT based upon a report jointly authored by the Budget Holder(s) and CFO. Such virements to be reported for information to the Cabinet.
- 7.10 Virements between Service Budgets exceeding £50,000 require the authorisation of Cabinet based upon a report jointly authored by the Budget Holder(s) and CFO.

#### **Treatment of year-end balances**

- 7.11 The rules below cover arrangements for the transfer of budgets between financial years, i.e. slippage.
- 7.12 Financial year end variances on Service Budgets shall not, as a matter of course, be carried forward to the following financial year. Such variances shall be managed corporately via transfers to and from reserves.
- 7.13 Requests for slippage of unspent budgets shall only be considered where the Service Budget shows an underspend of at least an equivalent amount to the slippage request. The request shall include specific details of the expenditure for which slippage is being sought.
- 7.14 Slippage requests shall relate to a specific activity or project with identifiable reasons why such activity did not take place within the financial year as originally envisaged.
- 7.15 The minimum amount for slippage is £1,000.
- 7.16 CMT shall determine individual slippage requests up to a maximum of £50,000. Amounts in excess of this shall be submitted to the Cabinet for approval. There is no upper limit on the individual amount of a slippage request.
- 7.17 Commitments shall not be entered into prior to approval.

## **Supplementary Estimates**

- 7.18 Supplementary Estimates are requests for increases in total spending permission additional to those approved in the Revenue Budget and Capital Programme.
- 7.19 Wherever possible a Supplementary Estimate shall be managed by virement in accordance with the virement rules contained within these Financial Regulations.
- 7.20 Where a Supplementary Estimate cannot be managed by virement, approval by Cabinet is required based upon a report jointly authored by the responsible member of CMT and CFO. Authorisation shall only be given in the following exceptional circumstances:
- Unavoidable expenditure which cannot be contained by virement
  - To enable opportunistic purchase of land or the issue of planning revocations, or purchase notices under relevant Planning Acts.
  - The use of general or earmarked reserves for specific purposes.
  - To cover expenses incurred in dealing with emergencies and disasters.
- 7.21 Supplementary Estimates shall be funded by one or a combination of the following:
- Virement
  - Additional income
  - Transfer from reserves
  - Transfer from Working Balance
- 7.22 Wherever practicable the approval of Cabinet shall be obtained before any commitment is entered into. If this is not possible the Finance Portfolio Holder and Portfolio Holder responsible for the service (if different) shall be consulted. In the event of a genuine emergency requiring urgent unavoidable expenditure e.g. civil emergency any member of CMT shall authorise such expenditure and the CFO shall report the action taken to the next meeting of Cabinet.

## **8. ASSETS**

- 8.1 The Councils assets include land, buildings & contents, plant, vehicles & equipment, IT assets & software, intellectual property, confidential data, cash and cheques.
- 8.2 COs & DCOs shall ensure that assets are properly maintained and securely held. They shall also ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.
- 8.3 The CFO shall make arrangements for an Asset Management Strategy, consistent with the Corporate Plan and Medium Term Financial Strategy, to be adopted, implemented and regularly reviewed.
- 8.4 The CFO shall maintain an asset register for all fixed assets with a value in excess of £10,000. The CFO shall ensure that assets are valued in accordance with the CIPFA Code of Practice on Local Authority Accounting, and the Council's accounting policies.

8.5 COs & DCOs shall:

- Maintain a property database in a form approved by the CFO for all properties, plant and machinery and moveable assets currently owned or used by the Council above £1,000 in value.
- Ensure the proper security of all buildings and other assets under their control.
- Take action in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- Ensure that assets are identified, their location recorded and that they are appropriately marked and insured.
- Ensure that no Council asset is subject to personal use by an employee without proper authority.
- Where land or buildings are surplus to requirements, prepare a report for Cabinet, in consultation with the CFO, containing recommendations for disposal. The Cabinet has delegated authority to determine disposals of assets.
- Ensure that all disposals of surplus plant, vehicles, furniture and equipment are managed in accordance with the Disposals policy.

### **Stocks and stores**

8.6 COs & DCOs shall:

- make arrangements for the care and custody of stocks and stores
- periodically verify the accuracy of stock & stores records by physical inspection
- investigate discrepancies and report these to the CFO who shall authorise write offs up to £10,000 in value. Cabinet approval is required to write off discrepancies above £10,000, COs and DCOs shall not disaggregate items to circumvent the write off limit
- dispose of redundant stocks and equipment by a method determined in consultation with the CFO
- seek Cabinet approval to the write-off of redundant stocks and equipment in excess of £10,000 in value
- provide the CFO with a certificate of the value of stock held at 31 March each year.

### **Intellectual property**

8.7 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property. Certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property. CMT shall ensure that controls are in place to ensure that staff do not carry out private work in council time and that staff are aware of an employer's rights with regard to intellectual property.

## **Confidential data**

- 8.8 COs & DCOs shall ensure that all confidential data, including personal data, whether held electronically or otherwise, is stored, transmitted and disposed of by secure means in accordance with the Council's Data Protection Policy and IT Acceptable Use Policy and other relevant guidance e.g. to fulfil the requirements of the Code of Compliance.

## **9. BANK ACCOUNTS**

- 9.1 All arrangements with the Council's bankers shall be made by the CFO who shall be authorised to operate such bank accounts as he may consider necessary.
- 9.2 Opening or closing any bank account shall require the approval of the CFO. All Council bank accounts shall include "Uttlesford District Council" within the account name. All instructions relating to the Council's bank accounts shall be authorised by the CFO.
- 9.3 The preferred payment method is by electronic transmission, subject to controls and safeguards approved by the CFO. BACS and CHAPS payments shall be authorised by officers approved by the CFO using secure online banking systems approved by the CFO. The CFO (or his nominee) will authorise electronic payments to creditors.
- 9.4 In circumstances approved by the CFO, pre-signed cheques may be used for payments. The facsimile signature of the CFO shall appear on all pre-signed cheques.
- 9.5 Cheques above £5,000 shall be countersigned by one of the officers approved by the CFO, in accordance with the mandate lodged with the Council's banker.
- 9.6 Non-pre-signed cheques for payments exceeding £5,000 shall be signed by any two of the officers approved by the CFO (one of the two may be the CFO). Non pre-signed cheques for payments not exceeding £5,000 shall be signed by either the CFO, or one of the officers approved by the CFO.
- 9.7 Amendments to cheques can be countersigned by the person or persons authorised to sign cheques in accordance with the bank mandate.
- 9.8 Cheques shall be ordered only on the authority of the CFO. All cheques shall be kept in safe custody by the CFO until issue.
- 9.9 The CFO shall manage the Council's bank balances and cashflow and manage borrowing and investments in accordance with the Treasury Management Strategy approved by the Council.

## **10. PETTY CASH**

- 10.1 The Council does not currently operate petty cash accounts. The CFO shall determine whether operational circumstances justify maintaining petty cash for the purpose of meeting minor expenditure on behalf of the Council.

- 10.2 Where petty cash is deemed necessary, the CFO shall provide a named officer with an agreed amount of cash and shall prescribe rules for operating the petty cash account.

## **11. INCOME**

- 11.1 The Council shall adopt policies for the setting of Fees & Charges and Debt Recovery and income collection shall be carried out in accordance with these policies.
- 11.2 The CFO shall determine the procedures, systems and documentation for the collection of all income due to the Council.
- 11.3 COs & DCOs shall:
- Ensure that income is accounted for in full with no expenditure being funded from monies received.
  - Whenever possible ensure separation of duties between officers, so that responsibility for cash collection should be separated from that for identifying the amount due and reconciling the amount due to the amount received.
  - Ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
  - Issue official receipts or maintain other documentation for income collection.
  - Hold securely receipts, tickets and other records of income for the appropriate period.
  - Ensure income is not used to cash personal cheques or otherwise mixed with personal monies.
  - Establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
  - Notify the CFO of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the CFO.

### **Write Off Limits**

- 11.4 Bad debts of up to £10,000 shall be written off by the CFO or his nominee, having ascertained that all reasonable steps have been taken to recover the debt and that it would be uneconomical to pursue the debt further. Cabinet approval is required to write-off bad debts in excess of £10,000.

## **12. ORDERING AND PAYING FOR GOODS AND SERVICES**

### **Introduction**

- 12.1 Public money should be spent with demonstrable probity and in accordance with the Council's policies. Councils have a statutory duty to achieve best value in part through economy and efficiency. The Council's procedures should help to ensure that services obtain value for money from their purchasing arrangements.
- 12.2 These Regulations should be read in conjunction with the Council's Contracts Procedure Rules.

- 12.3 COs & DCOs shall ensure that sufficient budgetary provision exists before orders are placed or contractual commitments entered into.
- 12.4 Orders shall be placed by means of an official ordering process determined by the CFO, and authorised by the responsible Budget Holder or their nominee in accordance with a list of authorising officers maintained by the Budget Holder.
- 12.5 Orders will ordinarily be placed using the Council's designated electronic ordering system according to rules and procedures determined by the CFO. Exceptions to this must be approved by the CFO.
- 12.6 Subject to appropriate safeguards including variance tolerance and adequate IT systems being in place, as determined by the CFO, suppliers may be paid by means of electronic invoices based upon Budget Holder certification that goods and services have been received and are satisfactory.
- 12.7 For certain categories of purchase the CFO shall approve the issue of credit cards to officers which shall be used in accordance with rules determined by the CFO.
- 12.8 All leasing arrangements require the prior approval of the CFO.
- 12.9 Settlement agreements / Ex-gratia payments will be determined by the Chief Executive in consultation with the CFO and the Monitoring Officer as appropriate.
- 12.10 COs & DCOs shall ensure that there is adequate separation of duties between ordering and the certification of invoices for payment. Names of authorising officers together with specimen signatures and details of the limits of their authority shall be forwarded to the CFO.
- 12.11 Officers certifying an invoice for payment shall ensure that:
- goods or services have been received and are satisfactory
  - the invoice has not previously been paid
  - prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices
  - VAT is correctly accounted for
  - the invoice is coded to the correct accounting code
  - discounts have been taken where available.
- 12.12 COs & DCOs shall notify the CFO of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the CFO.
- 12.13 Suppliers shall not normally be paid in advance of goods or services being supplied, with the exception of subscriptions, publications, training/seminar attendance and other exceptions determined by the CFO.

### **13. PAYMENTS TO EMPLOYEES AND MEMBERS**

#### **Staffing**

- 13.1 The Chief Executive shall provide overall management to staff and ensure that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.
- 13.2 COs & DCOs shall ensure that appointments are made in accordance with the Council's policies and approved establishments, grades and scale of pay and that adequate budget provision is available. Non-recurring sources of funding shall not be used to appoint permanent members of staff.
- 13.3 The Director of Finance and Corporate Services (DFCS) (or his nominee) shall be notified of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the DFCS.

#### **Salaries, wages and allowances**

- 13.4 The DFCS shall, in consultation with the CFO, establish arrangements to make all payments of salaries and wages to all staff, including payments for overtime, and payment of allowances to members.
- 13.5 The DFCS shall ensure that proper authorisation procedures are in place and that there is adherence to corporate timetables in relation to starters, leavers, variations and enhancements.
- 13.6 The DFCS shall ensure that where applicable, payments are made on the basis of properly authorised timesheets or claims. No member or employee shall certify their own claims for payment.
- 13.7 The CFO shall ensure that frequent reconciliations of payroll expenditure against approved budget and bank accounts are carried out.
- 13.8 The DFCS shall ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with HM Revenues and Customs regulations.
- 13.9 The DFCS shall arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees.
- 13.10 The DFCS shall arrange for the accurate and timely payment of tax, superannuation and other deductions.
- 13.11 Salaries and wages may only be paid through the Council's payroll system. COs & DCOs shall give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis and take account of HM Revenue & Customs guidance. In cases of doubt advice shall be obtained from the CFO.

### **Reimbursement of expenses**

- 13.12 Staff and Members are entitled to reclaim travel, out of pocket and subsistence schemes in accordance with the Council's policies and procedures.
- 13.13 Rail warrants or Council credit cards shall be used for the purpose of paying for rail travel, rather than using personal monies and reclaiming via expenses.
- 13.14 Members and officers shall submit claims for expenses on a monthly basis and, in any event, within one month of the financial year end.
- 13.15 COs & DCOs shall ensure that expense claims are properly authorised prior to payment. Authorising officers shall ascertain that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly claimed.
- 13.16 Subject to appropriate safeguards and adequate IT systems being in place, as determined by the CFO, expenses will be claimed and authorised electronically.

### **Taxation**

- 13.17 The CFO shall provide advice on all taxation issues that affect the Council.
- 13.18 The CFO shall maintain the Council's tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.



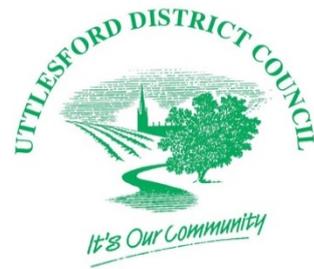
# Uttlesford District Council

## Contract Procedure Rules



To be submitted to Full Council

March 2020



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## Contract Procedure Rules

### 1 Introduction

- 1.1 The Local Government Act 1972 section 135 requires the Council to have standing orders for how it enters into contracts. These Contract Procedure Rules (“Rules”) are the standing orders required by the 1972 Act. They form part of the Council's Constitution and are, in effect, the instructions of the Council, to Officers and elected Members, for entering into contracts on behalf of the Council.
- 1.2 These Rules govern all purchases of works, goods and services across the whole Council; they cover UK and EU legislative requirements as well as good practice. Should there be any discrepancies between these Rules and legislation, legislation is the dominant authority and MUST be followed. Current legislative requirements include Local Government Act 1972, Public Contracts Regulations 2015, Concessions Contracts 2016, Social Value Act 2012, Localism Act 2011 and Small Business, Enterprise and Employment Act 2015.
- 1.3 All Council procurements must demonstrate; true and fair competition, public accountability, an open, fair and transparent process, seek to prevent bribery and corruption, whilst ensuring probity. All procurements must demonstrate a full audit trail.
- 1.4 Following the Contract Procedure Rules will also help to ensure that the Council obtains best value when it buys works, goods or services.
- 1.5 These Contract Procedure Rules are to protect the interests of the Council (financial and reputational risk), its Officers and elected Members and the public.
- 1.6 Guidance on the application and interpretation of these Rules is available from the Council's Section 151 Officer, Assistant Director of Resources or the Procurement Manager and should be read in conjunction with the Financial Regulations.
- 1.7 The Regulations refer to the responsibilities of Chief Officers (COs) and Deputy Chief Officers (DCOs). In this context COs are the Chief Executive and Chief Officers as defined by the Local Government & Housing Act (LGHA) 1989. In practice this means the Monitoring Officer, Section 151 Officer (CFO) and Directors. DCOs are as defined in the LGHA 1989 and are those senior officers responsible for managing services and who report directly to a CO.

### 2 Application & Scope of Rules

- 2.1 These Rules do apply to:
- all contracts for the supply of works, goods or services (including consultancy) to the Council, regardless of value
  - partnership and collaborative arrangements with other public bodies
  - concession contracts

Appendix 1 sets out a summary of the requirements for all procurement

Appendix 2 provides guidance for the timetable of contracts at levels 3 and 4

- 2.2 They do not apply to:
- contracts for the purchase or sale of any interest in land, (including leasehold interests)
  - contracts of employment for the appointment of individual members of staff, including members of staff sourced through employment agencies

- sponsorship agreements
- supply of works or services from Statutory Bodies where no competition exists (e.g. Essex County Highways, Essex Police & Crime Commissioner)

### **3 Compliance**

- 3.1 All contracts, (as defined in point 2.1) on behalf of the Council, must comply with:
- these Contract Procedure Rules
  - the Council's Financial Regulations
  - all relevant UK and EU legislation
- 3.2 Each Chief Officer and Deputy Chief Officer is responsible for ensuring that their department complies with these Contract Procedure Rules, the Financial Regulations and all applicable legislation. They must ensure that procurement requirements are appropriately planned, reported, monitored and awarded. They may delegate the practical elements of the processes to competent personnel within their departments, who are then equally responsible for ensuring these Rules are adhered to.
- 3.3 All Officers and consultants engaged in any capacity in the procurement of any works, goods or services for the Council must comply with these Contract Procedure Rules.
- 3.4 Non-compliance with these rules may constitute grounds for disciplinary action.
- 3.5 All Council spend must have a valid purchase order raised and approved in the Council's Financial Management System before delivery of the works, goods or services commence; where the level of risk or value of spend also requires a formal contract, work must not begin until the contract document has been appropriately completed by both parties. Any exemptions from this process must be approved and signed-off by the Deputy Chief Officer with delegated responsibility for finance, before commencement.

### **4 Conflicts of Interest**

- 4.1 All members of staff must avoid any conflict between their own interests and the interests of the Council, this includes: but is not limited to:
- not accepting gifts or hospitality from organisations or suppliers with whom the Council has dealings, full guidance can be found in HRP 62 - Gifts and Hospitality
  - not working for, or having a pecuniary shareholding in organisations or suppliers with whom the Council has dealings
- If an officer has links with (e.g. they previously worked for, or a family member or close friend works for) an organisation or supplier who is tendering or quoting for a contract with the Council or already has a contract with the Council they must notify the Chief Officer, Deputy Chief Officer or Procurement as appropriate. Further guidance relating to this can be found in HRP 38 – Code of Conduct
- 4.2 All consultants engaged to act on behalf of the Council must declare that:
- they will avoid any conflict between their own interests or those of any of their other clients and the interests of the Council
  - they will notify the Chief Officer or Deputy Chief Officer if they have any links with (e.g. a family member or close friend works for) an organisation or supplier who is tendering or quoting for a contract with the Council or already has a contract with the Council
- 4.3 Elected Members of the Council or Officers having an interest, financial or otherwise,

in a contract or proposed contract, must declare it in writing to either the Chief Officer or Deputy Chief Officer as soon as they become aware of the interest. An elected Member or Officer who has an interest in a contract must not take part in the procurement or management of that Contract.

- 4.4 A shareholding in a body not exceeding a total nominal value of £1,000 or 1% of the nominal value of the issued share capital (whichever is less) is not a pecuniary interest for the purpose of this Rule.

## **5 Prevention of Bribery and Corruption**

- 5.1 The following condition shall be included in all written contracts:

The Contractor shall not offer or give, or agree to give, to the Council or any other public body or any person employed by or on behalf of the Council or any other public body any gift or consideration of any kind as an inducement or reward for doing, refraining from doing, or for having done or refrained from doing, any act in relation to the obtaining or execution of the Contract or any other contract with the Council or any other public body, or for showing or refraining from showing favour or disfavour to any person in relation to the Council or any such contract.

The Contractor warrants that it has not paid commission or agreed to pay commission to the Council or any other public body or any person employed by or on behalf of the Council or any other public body in connection with the Contract.

- 5.2 Where evidence suggests inappropriate action or events have occurred, a contract may be terminated immediately, and any losses to the Council arising from the termination recovered from the supplier.

- 5.3 A declaration to this effect must be included in all Invitations to Tender (ITT).

- 5.4 Any elected Member of the Council, Officer or consultant who becomes aware or has reason to believe that a supplier or potential supplier has committed one of the improper acts listed, must report that to the Monitoring Officer and the Head of Internal Audit.

## **6 Pre-Procurement Requirements**

- 6.1 As part of the Council's process, officers are required to obtain the necessary approvals before commencing a procurement process. The values stated in Appendix 1 are accumulated spends over the life of the contract, these approvals vary according to value.

- 6.2 Evidence of the relevant approval to procure must be provided before the procurement process can be commenced and again before the contract can be awarded.

## **7 Duties and Powers of Delegation**

- 7.1 Where the proposed contract award is greater than the approved and available budget, the officer is required to submit a report to the Chief Officer or the Deputy Chief Officer to seek additional funding.

- 7.2 Under the scheme of delegation, Officers have the authority to delegate to Heads of Service, the ability to procure, subject to a budget having been approved

- 7.3 Where the value of the contract is level 3 and below, this power of delegation includes the ability for the Chief Officer to delegate to the Deputy Chief Officers, the ability to award the contract subject to compliance with these procedures

- 7.4 Both the Chief Officer and the Deputy Chief Officer have the authority to delegate the practical delivery of the procurement process to any officer deemed suitably competent; however responsibility for compliance with these procedures is the joint

responsibility of the Chief Officer and Deputy Chief Officer accordingly.

## **8 Separation of Duties**

- 8.1 A contract or purchase order cannot be raised or recommended and then approved by the same person.
- 8.2 The Council requires that the procurement process and any resultant awards are authorised by separate officers; most usually by the Officer's line manager.
- 8.3 Where a Deputy Chief Officer manages the practical element of a procurement process, completes an Exemption form or makes another recommendation, the award must be agreed by a Chief Officer.

## **9 Creating a Contract**

- 9.1 The Council requires expenditure at level 3 and 4 to be placed against a formal and legally binding contract and supported by a purchase order to enable payment.
- 9.2 A contract is a defined set of requirements, Terms and Conditions, specified by the Council, regarding how both parties will engage during the contract period.
- 9.3 The Council requires all construction contracts to use industry standard forms, with minimal amendments, unless agreed otherwise by the relevant Chief Officer or Deputy Chief Officer and Procurement and where applicable Legal.
- 9.4 The Council will not accept amendments to the proposed Council terms and conditions nor sign a supplier's terms and conditions of business, unless pre-agreed by the relevant Chief Officer or Deputy Chief Officer and Procurement and where applicable Legal prior to the procurement commencing.

## **10 Market Research**

- 10.1 The Council encourages the use of pre-procurement dialogue, market research and benchmarking, prior to defining the specification requirements for the contract.
- 10.2 Such research;
- must not create an anti-competitive environment,
  - be positively or negatively discriminatory to any potential bidders
  - use any specific, exact information or advice from a company, to write the specification or contract, where they have a commercial interest in the contract

## **11 Advertising**

- 11.1 The Council advertises all contract opportunities at levels 3 and 4.
- 11.2 The Council is required to advertise all contracts over the EU threshold in the Official Journal of the Europe Union (OJEU process).
- 11.3 Where there is a genuine urgency, the Public Contract Regulation includes a provision to reduce the period of advertisement; this must be with the approval of the Procurement Manager and the relevant Officer. Examples of such urgency include Health and Safety or Environmental risks but does not include failure to plan.

## **12 Tendering**

- 12.1 The Council is required to advertise and manage all level 4 procurements electronically.
- 12.2 The Council will, through Procurement:
- advertise all opportunities, in accordance with Appendix 1
  - will provide the appropriate amount of time to respond, based on the procurement level
  - issue all tender information electronically
  - manage all questions electronically, ensuring all information is shared with all bidders to ensure transparency and equal treatment (except where commercially sensitive or subject to General Data Protection Regulations and the Data Protection Act)
  - only accept tenders correctly returned
  - only accept on-time tenders (unless expressly agreed otherwise by Procurement, Legal, Internal Audit and the relevant Deputy Chief Officer)

Exemptions to these requirements must be with the express approval of Procurement and Internal Audit, and where necessary, the relevant Officer.

## **13 Electronic Contract Register**

- 13.1 The Council is required to publish all contracts over £25,000 on an electronic Contract Register.
- 13.2 A Contract Register is a list of all contracts previously let by the council. It should include the relevant contract name, various contract dates and contract value.
- 13.3 All information added to the Contract Register is to be consistent with the requirements of the General Data Protection Regulations, Data Protection Act and the Council's retention policy.

## **14 Government Procurement Cards**

- 14.1 The Council operates a Government Procurement Card scheme; these are available, with the approval of the Deputy Chief Officer.
- 14.2 Purchase cards are to be used for low value or one-off incidental spend where it is not efficient to add the suppliers to the Finance Information System.
- 14.3 Purchase cards must not be used to bypass procurement procedures without the express permission of the Chief Officer or Deputy Chief Officer.
- 14.4 The principle of disaggregation applies to spend on purchase cards both in relation to the individual and the Council as a whole.

## **15 Bonds & Parent Company Guarantees**

- 15.1 The requirement for a bond or parent company guarantee (and its value) is at the discretion of the Deputy Chief Officer with advice from Legal.
- 15.2 Where the project is deemed as a high risk for service failure (likelihood and/ or impacts), advice should be sought from Procurement and Finance to consider the benefits versus the costs of requiring a bond.
- 15.3 Where a bond or parent company guarantee is deemed necessary it shall be in a form acceptable to the Council.

## **16 Grant Funding paid or received by the Council**

- 16.1 A grant is a gratuitous payment of monies for which there is no consideration.
- 16.2 The spending of a grant, received by the Council from a third party, is subject to these procedures and the conditions of the grant.
- 16.3 A grant payment by the Council to another organisation is not subject to the Council's procurement procedures.
- 16.4 Officers are required to ensure that any funding requirements have been completed satisfactorily before entering into any contractual commitments with suppliers, in respect of grants received from a third party.

## **17 Authority to Award**

- 17.1 A contract can only be awarded by those with delegated authority to do so (see Scheme of Delegation within the Constitution).
- 17.2 Where it is identified that the necessary approvals have not been achieved, the process cannot continue until all approvals are in place.
- 17.3 Where there is a discrepancy in the approved funding and the returned prices, additional funding must be requested via a Business Case, submitted to the Chief Officer or Deputy Chief Officer, detailing the value required and the justification for the overspend.

## **18 Contract Awards**

- 18.1 All level 3 and 4 procurements may only be awarded following the completion and approval of a Contract Award Request.
- 18.2 The Contract Award Request must follow the Council's standard template, and comply with the Public Contract Regulations requirements. Central Government may request sight of the Request.
- 18.3 The Contract Award Request provides a full audit trail of the process followed, the responses received, the evaluation process, any problems and ultimately, a recommendation to award.
- 18.4 Contract Award Requests shall be completed jointly between the Client team and Procurement before being seen by Deputy Chief Officer – Resources for comment on budget implications. Approval shall be the responsibility of the relevant Officer or Deputy Chief Officer (depending on the contract value).
- 18.5 All award letters and notifications are to be issued by the Procurement Manager using the Council's standard templates.
- 18.6 For Contracts of £25,000 and above award notices must be published on "Contracts Finder".
- 18.7 For above EU level procurements, following award of the contract, a Contract Award Notice must be published in the EU by Procurement as required.

## **19 Varying a Contract**

- 19.1 A contract can be varied, post award, if agreed by both parties.
- 19.2 Any contract variation must be 'in scope' and suitably similar and relevant, to the original contract advert and specification.

- 19.3 A contract cannot be varied where the additional value would either:
- cause it to breach the EU threshold, where it was procured as a below EU tender or;
  - breach the provisions of The Public Contracts Regulations 2015 where the contract was awarded as an EU tender

19.4 A written variation in the form set out in the contract must be completed and signed by both Parties.

19.5 Contracts listed on the Contracts Register shall be amended to take account of any contract variation.

## **20 Exemptions to Contracts Procedure Rules**

20.1 The Council can consider a request for an exemption from the procedural requirements for levels 1 to 3

20.2 Level 1 2 and 3 –Spend that is level 1,2 or 3 is subject to the Council’s rules, as such, the Deputy Chief Officer can request an Exemption where it is demonstrated that:

- there is only one supplier in the market
- the time required to seek quotes could cause environmental or health and safety risks; and/ or
- the time required to seek quotes could result in funding being lost

20.3 Level 4 –Exemptions may only be granted where it is lawful to do so.

20.4 All exemptions must be submitted on the council’s standard template document.

20.5 Procurement must be consulted before consideration by the appropriate Deputy Chief Officer.

20.6 Approval may only be granted by the CFO (Section 151 Officer). Approval will be subject to the arguments and justifications proposed being seen as valid and an acceptable level of risk to the Council.

20.7 Any award of contract, following the decline of such a request may be treated as gross misconduct.

## Appendix 1

**Financial Levels, EU Thresholds, tender process and awards**

Procurement Level	Lower Limit	Upper Limit <sup>1</sup>		Competition	Advertising	Officer Responsible for Procurement	Signature of Contracts	Tender Period	Award Notification
Level 1	£0	£10,000		Two quotations <sup>2</sup> advisable	None required	Officer obtaining quotation	Purchase Order only <sup>3</sup>	N/A	Raise Purchase Order, attach quotations
Level 2	£10,001	£50,000		Three written quotations <sup>1</sup> required					
Level 3	£50,001	Light Touch	£663,540 <sup>4</sup>	Sealed bid tender	Mandatory	Project Manager/Lead officer	Chief Officer or Deputy Chief Officer	Minimum 3 weeks/Major contract up to 5 weeks	Procurement Manager to issue award notices, subject to approval of contract award request
		Goods & Services	£189,330 <sup>3</sup>						
		Works & Concessions	£4,733,252 <sup>3</sup>						
Level 4	Contract over the EU Threshold (see above)								

<sup>1</sup> An existing Framework agreement may be used as an alternative to obtaining quotations or tenders as they already evidence transparency, equal treatment and best value. The rules of the framework must be observed regarding any further competition or the ability for direct award

<sup>2</sup> At least one of which should be from a local supplier where possible (i.e. within 20 mile radius of Great Dunmow or Saffron Walden)

<sup>3</sup> Unless risk identified suggests that a formal contract be executed (e.g. a Consultancy contract or building contract where a JCT Contract will better protect the Council's interests)

<sup>4</sup> Thresholds with effect from 1 January 2020 and which remain fixed for two years

**Procurement Timetable for Contracts at Level 3 or 4**

Stage	Description	Below EU	Above EU
Collate Tender Pack	Complete all necessary information including the provision of a specification	4 weeks	4 – 8 weeks depending on complexity. (May take 6 months in the case of Property Services contracts including allowing for Leaseholder consultation)
Tender Period	Publication of advert and allow for responses	3 – 5 weeks	5 weeks minimum
Tender Evaluation	Review responses Allow for clarifications Mediation	1 – 2 weeks	3 – 4 weeks
Contract Award Request	Collate Audit trail of procurement process and prepare award request for consideration by relevant parties	1 - 2 weeks	2 – 3 weeks
Standstill	Award Decision Notifications	N/a	Minimum 10 days
Award Letters	Notification of Award	1 week	1 week
Prepare Contract Documents	Create contract documents for signature	1 week	1 week
Sign contracts	Supplier to sign	1 week	1 – 2 weeks
	Council to sign	1 week	1 – 2 weeks
Mobilisation		For client to consider timetable	
Total expected duration		Allow 3 – 6 months	Allow 6 months + (suggest 12 months when succession planning complex requirements such as Property Services)

# Agenda Item 7

<b>Committee:</b>	Governance, Audit and Performance Committee	<b>Date:</b>	Tuesday 24 March 2020
<b>Title:</b>	Treasury Management Practices – Principles and Schedules		
<b>Report Author:</b>	Angela Knight, Assistant Director - Resources aknight@uttlesford.gov.uk		

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## Summary

1. Treasury Management Practices, principles and schedules have been set out in line with the CIPFA Code of Practice on Treasury Management in the Public Services.
2. Local Authorities are required by Law to have regard to the Treasury Management code
3. The Treasury Management Code provides a framework for effective treasury management in public sector organisations. The TM Code defines treasury management as follows:

*'Treasury management deals with the organisation's investments and 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'.*

4. Treasury Management Practices, principles and Schedules details how the council will manage its objectives as set out in the Treasury Management Strategy.

## Recommendations

5. The Committee is requested to review the Treasury Management Practices, Principles and Schedules attached as Appendix A and subject to any comments approve them for recommendation to Full Council.

## Financial Implications

6. None

## Background Papers

7. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

CIPFA Code of Practice on Treasury Management in the Public Services (2017)

**Impact**

8.

Communication/Consultation	CMT and Internal Audit have been consulted
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

**Situation**

9. Treasury Management Practices are based on 3 Key principles and 13 practices, these are listed below and the full document is attached as Appendix A.

Key Principles

- I. Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities
- II. Their policies and practices should make clear that the effective management and control of risk and prime objectives of their treasury management activities and that responsibility for these lies clearly within these organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds
- III. They should acknowledge that the pursuit for value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this

The Treasury Management Practices (TMPs) comprise:

- TMP1 Risk management
- TMP2 Performance measurement
- TMP3 Decision making and analysis
- TMP4 Approved instruments, methods and techniques
- TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements
- TMP6 Reporting requirements and management information arrangements
- TMP7 Budgeting, accounting and audit arrangements
- TMP8 Cash and cash flow management
- TMP9 Money laundering
- TMP10 Training and qualifications
- TMP11 Use of external service providers
- TMP12 Corporate governance
- TMP 13 Non-Treasury Investments (Investments that are not part of Treasury Management Activity)

**Risk Analysis**

10.

Risk	Likelihood	Impact	Mitigating actions
That the TMP's are not followed or transactions are processed outside of the specified processes and schedules	2 – low risk, as the system does not allow for the same person to carry out more than one task in the same transaction	3 – loss of council monies, transfer of funds to wrong organisation	<p>Separation of duties ensures that no investments or borrowing can be carried out by a single person. Duplicate check of all payee details.</p> <p>Regular monitoring and reporting is carried out.</p> <p>Banking processes are electronic and authority levels are set within the system and can only be amended by an administrator, accessed by a unique card and pin per user.</p>

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

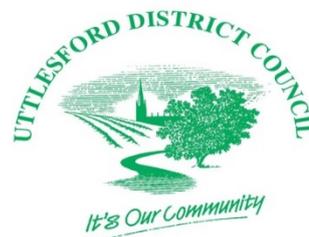
4 = Near certainty of risk occurring, catastrophic effect or failure of project.



# Uttlesford District Council Treasury Management Practices Principles and Schedules



To be submitted to Full Council  
22 April 2020



This document has been prepared in the sequence provided by CIPFA. For ease of use, the key areas for Uttlesford District Council treasury operations are referenced below:

	<b>TMP Number</b>	<b>Page</b>
Organisational chart of the Council's Finance and Treasury Division	TMP5	26
Statement of duties and responsibilities	TMP5	28
Absence cover	TMP5	28
Liquidity Management, Cash flow, bank overdraft, short-term borrowing/lending	TMP1[2]	7
Cash Flow forecasts	TMP8	39
Bank statements, payment scheduling	TMP8	41
Electronic banking and dealing	TMP1[8]	14
Standard Settlement Instructions, Payment Authorisation	TMP1[8]	14
Approved types and sources of borrowing	TMP4	23
Approved investment instruments	TMP4	24
Counterparty and Credit Risk Management	TMP1[1]	4
Current criteria	TMP1[1]	5
Counterparty List and Limits	Treasury Management Strategy	
Dealing: - Authorised dealers - Dealing limits - List of approved brokers - Deal Ticket proforma - Direct dealing list - Settlement transmission procedures	TMP5	28
Reporting arrangements/Performance measurement	TMP6	31
Officers' responsibilities for reporting	TMP2	16
	TMP5	28
Budget, Statement of Accounts, treasury-related information requirements for Auditors	TMP7	36
Procedure Notes for Council's treasury management system	<i>See Procedure notes</i>	
Anti-Money Laundering Procedures	TMP9	42
Contingency Arrangements	TMP1[8]	13
External Service Providers	TMP11	45
References to Statute and Legislation	TMP1[6]	12
Non-financial investments	TMP 13	49

## **Introduction:**

The CIPFA Code of Practice on Treasury Management in the Public Services (the Code) was last revised in December 2017. The Code requires setting out the responsibilities and duties of members and officers, allowing a framework for reporting and decision making on all aspects of treasury management. There is now no longer a requirement to formally adopt the Treasury Management Code, but instead the Authority is now required by law to have regard to the Code.

Treasury Management is defined by CIPFA as

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

'Investments' in the definition above covers all the financial assets of the Authority, as well as other non-financial assets which the Authority holds primarily for financial returns, including but not limited to investment property portfolios. Such non-financial assets are not managed as part of the Authority's normal treasury management or under treasury management delegations, but they nonetheless require appropriate investment and risk management under the Code; a separate Treasury Management Practice (TMP 13) in this document is therefore included, specific to these investments.

The Code identifies three key principles

- (1) Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities
- (2) Their policies and practices should make clear that the effective management and control of risk and prime objectives of their treasury management activities and that responsibility for these lies clearly within these organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds
- (3) They should acknowledge that the pursuit for value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations, or other formal policy documents appropriate to their circumstances, the following four clauses.

- (1) The Council will create and maintain, as the cornerstones for effective treasury management
  - a. A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - b. Suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

The content of the policy statement and TMPs will follow the recommendations contained in Section 6 and 7 of the Code, subject only to amendment where necessary to reflect the particular circumstances of the Council. Such amendments will not result in the organisation materially deviating from the Code's key principles.

- (2) The Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs
- (3) The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to Cabinet, and for the execution and administration of treasury management decisions to the Director of Finance and Corporate Services, who will act in accordance with the organisation's policy statement and TMPs and, if he/she is a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management
- (4) Should the treasury management strategy and policies require scrutinising, the Council nominates Scrutiny Committee to perform this function

Where a Capital Strategy is produced and approved by full council, then the Cabinet may also set the detailed treasury management policies, whilst being clear that overall responsibility remains with full council.

The Treasury Management Practices (TMPs) comprise:

- |        |  |
|--------|--|
| TMP1   | Risk management  |
| TMP2   | Performance measurement  |
| TMP3   | Decision making and analysis   |
| TMP4   | Approved instruments, methods and techniques   |
| TMP5   | Organisation, clarity and segregation of responsibilities, and dealing arrangements      |
| TMP6   | Reporting requirements and management information arrangements                           |
| TMP7   | Budgeting, accounting and audit arrangements   |
| TMP8   | Cash and cash flow management  |
| TMP9   | Money laundering   |
| TMP10  | Training and qualifications  |
| TMP11  | Use of external service providers  |
| TMP12  | Corporate governance   |
| TMP 13 | Non-Treasury Investments (Investments that are not part of Treasury Management Activity) |

Schedules supporting these practices and other documents held at an operational level specify the systems and routines to be employed and the records to be maintained in fulfilling the Council's treasury functions.

## **TMP1: RISK MANAGEMENT**

The Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment.

The Director of Finance and Corporate Services will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisation's objectives in this respect, all in accordance with the procedures set out in *TMP6 Reporting requirements and management information arrangements*.

In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out as schedules below.

### **[1] Credit and counterparty risk**

The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.

The Council will ensure its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit its treasury management investment activities to the instruments, methods and techniques referred to in *TMP4 Approved instruments, methods and techniques* listed in the schedule below. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative arrangements.

**Schedule**

<p>Criteria to be used for creating and managing approved counterparty lists and limits</p>	<p>The Assistant Director Resources is responsible for setting prudent criteria and the Council’s treasury advisors will also provide guidance and assistance in setting the criteria.</p> <p>The criteria will be agreed by Full Council.</p> <p>The current criteria are contained in the current Treasury Management Strategy.</p> <p>The Council’s treasury management advisors will advise on credit policy and creditworthiness related issues. The Council will maintain a counterparty list based on its credit criteria (determined at least annually) and will monitor and update the credit standing of the institutions on a regular basis.</p> <p>This assessment will include consideration of credit ratings from the main ratings agencies and other alternative assessments of credit strength (for example, statements of potential government support where applicable, resolution mechanisms for failing financial institutions, CDS information, the composition of an institution’s balance sheet liabilities).</p> <p>Investment limits are set by reference to the lowest long-term rating from the agencies and other relevant factors, including external advice. The Council will also take into account information on corporate developments and market sentiment towards investment counterparties.</p> <p>The credit rating criteria will also apply to securities issued by financial and non-financial institutions, which in some instances, might be higher than that of the issuing institution.</p> <p>Higher time and cash limits may be set for secured investments (e.g. those with underlying collateral or which are by regulation excluded from being bailed-in/restructured in the event of financial distress.)</p> <p>Where there is no investment-specific rating, but collateral upon which the investment secured is rated, then the higher of the collateral and counterparty rating will be used to determine time and cash limits</p>
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<p>Approved methodology for changing limits and adding or removing counterparties</p> <p>Risk management: (a) creditworthiness deteriorates below the minimum criteria</p> <p>(b) ratings are placed on review for possible downgrade</p>	<p>The Assistant Director Resources has delegated responsibility to add or delete counterparties and to review limits within the parameters of the criteria detailed above.</p> <p>Where an entity's credit rating is downgraded so that it fails to meet the minimum criteria, then</p> <ul style="list-style-type: none"> <li>- No new investments will be made,</li> <li>- Any existing investments that can be recalled or sold at no cost will be, and</li> <li>- Full consideration will be given to the recall or sale of other existing investments with the affected counterparty</li> </ul> <p>Where a credit rating is placed on review for possible downgrade (also termed 'rating watch negative' or 'credit watch negative') so that it may fall below the minimum approved credit criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the rating review has been completed and its outcome known.</p> <p>This policy will not apply for 'negative outlooks' which indicate a long-term direction of travel rather than a possibility of an imminent downgrade.</p>
<p>Full individual listings of counterparties and counterparty limits</p>	<p>A full individual listing of banking* counterparties based on the criteria will be maintained. As credit ratings etc. are subject to change without notice, an up-to-date lending list will be maintained on an ongoing basis within the Operations Manual.</p> <p>*It may be impractical to determine a specific list of non-financial counterparties in whose securities investments might be made. The minimum credit rating criteria, whether the security is secured or unsecured, and due diligence on the counterparty's creditworthiness will determine its selection for investment.</p>
<p>Details of credit rating agencies' services and their application</p>	<p>The Council considers the ratings of the main ratings agencies when making investment decisions. Credit rating agency information is just one of a range of measures used to assess the creditworthiness of institutions.</p> <p>No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the minimum credit rating criteria.</p>
<p>Description of the general approach to collecting and using information other than credit ratings for counterparty risk assessment</p>	<p>The Council's Treasury Advisor, Arlingclose, provides timely information on counterparties in terms of credit rating updates and economic summaries. Credit default swap information is received monthly, as well as share price information.</p> <p>Arlingclose also undertakes analysis on the balance sheet structure of key banking institutions to help inform the potential restructure (i.e. bail-in) of a bank's unsecured liabilities should this be required by the regulatory authorities.</p>
<p>Country, sector and group listings of counterparties and the overall limits applied to each, where appropriate</p>	<p>Investments will be shown against total group exposure, total country exposure and total sector exposure.</p> <p>Group limits will be set for the above, in terms of monetary value/percentage of overall portfolio, where appropriate. Group limits for organisations under the same ownership will be set at the same level as the lead institution in that group.</p>

## [2] Liquidity risk

The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the Council's business/service objectives will be thereby compromised.

### Principle

The Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

### Schedule

Details of cash flow and cash balances	The Council will aim for effective cash flow forecasting and monitoring of cash balances and will maintain a cash flow forecast to determine the maximum period for which funds may be prudently 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.
Amounts of approved minimum cash balances and short-term investments	<p>A balance in the region of £1m to deal with day to day cash flow fluctuations is maintained by investing money overnight with the Council's bankers.</p> <p>The Council also uses various deposit accounts and Money Market Funds to manage its liquidity requirements. These are named on the Council's approved counterparty list. The maximum balance on each of these accounts is reviewed and set as part of the Council's investment strategy.</p>
Details of short-term borrowing facilities	<p>Temporary borrowing up to 1 year through the money market is available should there be a cash flow deficit at any point during the year.</p> <p>At no time will the outstanding total of temporary and long-term borrowing together with any bank overdraft exceed the Prudential Indicator for the Authorised Borrowing Limit agreed by the Council before the start of each financial year.</p>
Policy in terms of borrowing in advance of need	<p>The Council may need to borrow in advance of need where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council may be exposed to the risk of both the loss of the borrowed sums, and also that investment and borrowing rates may change during the intervening period. These risks will be managed as part of the Council's overall treasury risk management.</p> <p>The total amount borrowed will not exceed the authorised borrowing limit of £250m.</p>

### [3] Interest Rate Risk Management:

The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the Council's finances, against which the Council has failed to protect itself adequately.

#### Principle

The Council will manage its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with *TMP6 Reporting requirements and management information arrangements*.

It will achieve this by the prudent use of its approved instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

The Council will ensure that any hedging tools such as derivatives are only used for the management of risk and the prudent management of financial affairs and that the policy for the use of derivatives is clearly detailed in the annual strategy.

#### Schedule

Proportions of fixed and variable rate debt/interest, Long or short term loans	<p>Borrowing and investments may be at a fixed or variable interest rate.</p> <p>In setting its forward Treasury Strategy on an annual basis, the Council will determine the necessary degree of certainty required for its plans and budgets but will, at the same time, allow sufficient flexibility to enable it to benefit from potentially advantageous changes in market conditions and level of interest rates and also to mitigate the effects of potentially disadvantageous changes.</p> <p>The proportion of fixed and variable rate debt will be determined as part of the annual borrowing strategy to address the issues of affordability but without compromising the longer-term stability of the debt portfolio. The proportion will be kept under review on a regular basis.</p>
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<p>Trigger points and other guidelines for managing changes to interest rate levels</p>	<p>The main impact of changes in interest rate levels is to monies borrowed and invested at variable rates of interest.</p> <p>The Council will consider matching borrowing at variable rates with investments similarly exposed to changes in interest rates as a way of mitigating any adverse budgetary impact.</p> <p>The Council may determine it is more cost effective in the short-term to fund its borrowing requirement through the use of internal resources ('internal borrowing') or short-term loans. The benefits of such borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing or refinancing in future years when interest rates are expected to be higher.</p> <p>Alternatively, the Council may consider forward starting loans where the interest rate is agreed and fixed in advance but the cash is received in later years. This would enable certainty of cost be achieved without suffering a 'cost of carry' in the intervening period.</p> <p>Interest rate forecasts are provided by the Council's treasury advisors/brokers and are monitored by the Senior Accountant. Variations from original estimates and their impact on the Council's debt and investments are notified to Cabinet as necessary.</p> <p>For its investments, the Council also considers dealing from forward periods dependent upon market conditions. The Council's counterparty term limits will apply and will include the forward period of the investment.</p>
<p>Negative interest rates</p>	<p>Should economic conditions be such that the Bank of England sets Bank Rate at or below zero, this is likely to feed through into negative rates on short term, low risk investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even if it is below the amount originally invested.</p>

#### [4] Exchange Rate Risk Management

The risk that fluctuations in foreign exchange rates create an unexpected or unbudgeted burden on the Council's finances against which the Council has failed to protect itself adequately.

##### Principle

The Council will manage its exposure to fluctuations in exchange rates so as to minimise any detrimental impact on its budgeted income/expenditure levels.

##### Schedule

<p>Details of approved exchange rate exposure limits for cash investments/debt</p>	<p>This Council does not, on a day to day basis, have foreign currency transactions or receipts. Unexpected receipt of foreign currency will be converted to sterling at the earliest opportunity.</p> <p>If the Council has a contractual obligation to make a payment in a currency other than sterling, then forward foreign exchange transactions will be considered and professional advice sought.</p> <p>At the present time statute prevents the Council borrowing in currencies other than sterling. The Council has also determined that all its investments will be in sterling.</p>
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## [5] Inflation Risk Management

Inflation risk, also called purchasing power risk, is the chance that the cash flows from an investment won't be worth as much in the future because of changes in purchasing power due to inflation.

### Principle

The Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures.

Investments over one year	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.
Contractual obligations linked to inflation	The Council will identify all contractual obligations which are linked to inflation, whether receipts or payments, in relation to its treasury assets and liabilities and regularly review the financial impact of a <+/- 1%> increase/decrease in inflation from existing levels.

## [6] Refinancing Risk Management

The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancing's, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.

### Principle

The Council will ensure that its borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised is managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid over reliance on any one source of funding if this might jeopardise achievement of the above.

### Schedule

Projected capital investment requirements	<p>Five-year projections are in place for capital expenditure and it's financing or funding. Financing will be from capital receipts, reserves, revenue resources and any grants or contributions. Funding will be from internal or external borrowing, as decided.</p> <p>As required by the Code, the Council will undertake Options Appraisal to evaluate the best capital expenditure financing route.</p> <p>The Council's projected long-term borrowing requirement will be linked to the projected Capital Financing Requirement (CFR) and Liability Benchmark.</p>
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Debt/other capital financing maturity profiling, policies and practices	<p>The Council will maintain through its treasury system, reliable records of the terms and maturities of its borrowings, capital, project and partnership funding and, where appropriate, plan and successfully negotiate terms for its refinancing's.</p> <p>To assist with long-term borrowing decision making the Council creates, with advice and assistance from its treasury advisor, a 'Liability Benchmark' which forecasts the need to borrow over the medium- to longer-term, taking into account usable reserves and working capital projections.</p> <p>Based on the output of the Liability Benchmark and the Council's outlook on interest rates, any longer-term borrowing will be undertaken in accordance with the Code and will comply with the Council's Prudential Indicators and the Annual Treasury Management Strategy.</p> <p>The avoidance of bunching of loan maturities will reduce the risk of having to refinance at a time when interest rates are unfavourable to the Council.</p> <p>Where the lender to the Council is a commercial body the Council will aim for diversification in order to spread risk and avoid over-reliance on a small number of counterparties.</p>
Policy concerning limits on revenue consequences of capital financings	<p>The revenue consequences of financing the capital programme are included in cash flow models, annual revenue estimates and medium-term forecasts.</p>
Financial Guarantees	<p>The Council has provided financial guarantees to Landlords of private tenants. These are reviewed annually and their risk assessment including probability the guarantees will be called upon is included in the Risks and Assumptions appendix to Full Council.</p>

## [7] Legal and Regulatory Risk Management

The risk that the Council itself, or an organisation with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the Council suffers losses accordingly.

### Principle

The Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In framing its credit and counterparty policy under TMP1[1] *credit and counterparty risk management*, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Council, particularly with regard to duty of care and fees charged.

The Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the organisation.

## Schedule

<p>References to relevant statutes and regulations</p>	<p>The treasury management activities of the Council shall comply fully with legal statute and the regulations of the Council. These are:</p> <ul style="list-style-type: none"> <li>• CIPFA’s Treasury Management Code of Practice and accompanying Guidance Notes</li> <li>• CIPFA Guide for Chief Financial Officers on Treasury Management in Local Authorities.</li> <li>• CIPFA Prudential Code for Capital Finance in Local Authorities and subsequent amendments.</li> <li>• CIPFA Standard of Professional Practice on Treasury Management</li> <li>• The Local Government Act 2003</li> <li>• The Local Authorities (Capital Finance and Accounting) (England ) Regulations 2003 SI 2003 No 3146, and subsequent amendments</li> <li>• The MHCLG’s statutory Guidance on Minimum Revenue Provision (MRP)</li> <li>• The MHCLG’s Guidance on Local Government Investments in England The Local Authorities (Contracting out of Investment Functions) Order 1996 SI 1996 No 1883</li> <li>• LAAP Bulletins</li> <li>• Code of Practice on Local Authority Accounting in the United Kingdom based on International Financial Reporting Standards (from 2010/11 onwards)</li> <li>• Accounts and Audit Regulations 2003, as amended together with MHCLG’s Guidance</li> <li>• The Localism Act 2011</li> <li>• The Bank of England’s 2017 Money Markets Code (which replaces the former Non-Investment Products Code )</li> <li>• Council’s Constitution including: <ul style="list-style-type: none"> <li>* Standing Order relating to Contracts</li> <li>* Financial Regulations</li> <li>* Scheme of Delegation</li> </ul> </li> <li>• MHCLG’s Self-Financing Policy Documentation and subsequent amendments</li> </ul>
<p>Procedures for evidencing the organisation’s powers/authorities to counterparties</p>	<p>The Council’s Financial Regulations contain evidence of the power/authority to act as required by section 151 of the Local Government Act 1972, under the general direction of Full Council.</p> <p>The Council will confirm, if requested to do so by counterparties, the powers and authorities under which the Council effects transactions with them.</p> <p>Where required, the Council will also establish the powers of those with whom they enter into transactions, including any compliance requirements in respect of a duty of care and best practice.</p>
<p>Required information from counterparties concerning their powers/authorities</p>	<p>Investments shall only be made with institutions on the Council’s authorised lending list or in securities which meet the Council’s approved credit criteria.</p> <p>The Council will only undertake borrowing from approved sources listed in <i>TMP4 Approved instruments, methods and techniques</i>.</p>

Statement on the organisation's political risks and management of the same	Political risk is managed by: <ul style="list-style-type: none"> <li>• adoption of the CIPFA Treasury Management Code of Practice</li> <li>• adherence to Corporate Governance (TMP12 <i>Corporate Governance</i>)</li> <li>• adherence to the Statement of Professional Practice</li> <li>• the roles of the Scrutiny Committee.</li> </ul>
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**[8] Fraud, error and corruption, and contingency management**

The risk that the Council fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings, and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends. It includes the area of risk referred to as operational risk.

**Principle**

The Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

## Schedule

<p>Details of systems and procedures to be followed, including Internet services</p>	<p>Segregation of duties minimises the possibility of fraud and loss due to error, and is detailed in <i>TMP5 Organisation, clarity and segregation of responsibilities, and dealing arrangements</i>.</p> <p>1. Electronic Banking and Dealing</p> <p>(a) The Council's online banking service provided by Barclays Bank PLC is subject to separate log-on and password control allowing varying levels of access. Details of transactions and balances are available as required, and the system also holds historic data. Officers having access to the bank's online system are as follows:</p> <ul style="list-style-type: none"> <li>• Director of Finance and Corporate Services</li> <li>• Assistant Director Resources</li> <li>• Finance Manager</li> <li>• Senior Accountant</li> <li>• Trainee Accountant</li> </ul> <p>Officer access is reviewed as necessary.</p> <p>(b) Access to the Council's treasury management system, is limited to those officers listed below.</p> <ul style="list-style-type: none"> <li>• Assistant Director Resources</li> <li>• Finance Manager</li> <li>• Senior Accountant</li> <li>• Trainee Accountant</li> </ul> <p>Officer access is reviewed as necessary.</p> <p>(c) Access to the Money Market Fund Portal, is limited to those officers listed below.</p> <ul style="list-style-type: none"> <li>• Assistant Director Resources</li> <li>• Finance Manager</li> <li>• Senior Accountant</li> <li>• Trainee Accountant</li> </ul> <p>Officer access is reviewed as necessary.</p> <p>Full procedure notes covering the day to day operation of the online banking system, the treasury management system and the MMF portal are documented and included in the <u>procedure notes</u>.</p> <p>2. Standard Settlement Instructions (SSIs): a list is maintained of named officers who have the authority to transact for loans and investments</p> <ul style="list-style-type: none"> <li>• Brokers and counterparties with whom the Council deals direct.</li> <li>• PWLB and Debt Management Agency Deposit Facility (DMADF).</li> <li>• Money Market Funds and other externally managed pooled funds managers.</li> </ul> <p>3. Payment Authorisation:</p> <ul style="list-style-type: none"> <li>• Payments can only be authorised by agreed signatories of the Council, the list of signatories having previously been agreed with the Council's bank.</li> <li>• Inflow and outflow of monies borrowed and invested will only be from the counterparty's bank accounts.</li> <li>• Separate officers will carry out (a) dealing and (b) authorisation of deals</li> </ul>
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Verification	<p>Loans and investments will be maintained in registers which will include fees and brokerage paid.</p> <p>Transactions will be cross-checked against broker notes, counterparty confirmations and PWLB loan schedules by verifying dates, amounts, interest rates, maturity, interest payment dates etc.</p> <p>When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before amending payment details.</p>
Substantiation	<ol style="list-style-type: none"> <li>1. The Treasury Management system balances are reconciled with financial ledger codes at the end of each month and at the financial year end</li> <li>2. Working papers are retained for audit inspection</li> <li>3. The bank reconciliation is carried out daily from the bank statement to the General Ledger.</li> </ol>
Internal Audit	Internal Audit generally conducts a tri-annual review of the treasury management function including probity testing. See <i>TMP7 Budgeting, accounting and audit arrangements</i> .
Emergency and contingency planning arrangements	<ol style="list-style-type: none"> <li>1. All treasury systems are retained on the Council's network. Daily back-ups are taken and maintained, and network back-ups can be used by the IT department to restore files, if necessary</li> <li>2. Home working facility: The officers who can avail of this facility following an emergency are the Director of Finance and Corporate Services, Assistant Director Resources and the Finance Manager who are aware of the procedures to follow</li> <li>3. Electronic Banking System Failure: Balances are obtainable via email/over the telephone. If necessary temporary overdraft facility would be arranged. CHAPS payments can be made via email/over the phone.</li> <li>4. The Business Continuity Plan is maintained and printed copies are retained in a secure location by the Finance Manager.</li> </ol>
Insurance cover details	The Council has Fidelity Guarantee cover. Details of the provider and cover are held by the Finance Department.

**[9] Price Risk Management:** This is the risk that, through adverse market fluctuations in the value of the principal sums the Council borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.

### Principle

This Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect itself from the effects of such fluctuations.

## Schedule

<p>Details of approved procedures and limits for controlling exposure to investments whose capital value may fluctuate</p>	<p>Investment instruments used by external fund managers (equities, bonds, CDs etc) are subject to fluctuation in capital movements and exposed to interest rate risk. In order to minimise these risks capital preservation is set as the primary objective and pursuit of investment performance should be commensurate with this objective.</p> <p>The Council may consider an investment in Pooled Funds with a Variable Net Asset Value (VNAV), as appropriate, in line with its treasury strategy and on advice from its treasury advisors.</p> <p>The value of the pooled funds will change in line with market prices and, in some instances, may also have a notice period prior to redemption. Such funds will therefore be used for longer investment periods. The limits per fund/asset class will be as determined in the Council's annual investment strategy.</p>
<p>Accounting for unrealised gains/losses</p>	<p>The method of accounting for unrealised gains or losses on the valuation of financial assets will comply with the Accounting Code of Practice.</p>

## TMP2: PERFORMANCE MEASUREMENT

The Council is committed to the pursuit of value for money in its treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, or the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements.

CIPFA supports the use of risk benchmarks in measuring treasury management performance.

The performance of the treasury management function will be measured using the criteria set out below.

## Schedule

<p>Policy concerning methods for testing value for money</p>	<p>Best value reviews will include the production of plans to review the way services are provided by</p> <ul style="list-style-type: none"> <li>• Challenging</li> <li>• Comparing performance</li> <li>• Consulting with other users and interested parties</li> <li>• Applying competition principles</li> </ul> <p>In order to pursue continuous improvement in the way the Council's functions are exercised, having regard to a combination of value for money, efficiency and effectiveness.</p>
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<p>Policy concerning methods for performance measurement</p>	<ul style="list-style-type: none"> <li>• Performance measurement at the Council is intended to calculate the effectiveness of treasury activity in delivering the strategic objectives set through the Treasury Management Strategy and the Council’s Prudential Indicators and to enhance accountability</li> <li>• Prudential Indicators are specific to the Council and not intended as a comparator between authorities</li> <li>• The performance review will be made in the light of general trends in interest rates during the year and how the decisions made corresponded with these trends and the Council’s agreed strategy (i.e. the Council will avoid hindsight analysis)</li> </ul> <p>Any comparison of the Council’s treasury portfolio against recognised industry standards, market indices and other portfolios is intended to:</p> <p>(i) allow the Council the opportunity to assess the potential to add value through changes to the existing ways in which its portfolio is managed, and</p> <p>(ii) permit an informed judgement about the merits or otherwise of using new treasury management techniques or instruments.</p> <p>In drawing any conclusions, the Council will bear in mind that the characteristics of its treasury operations may differ from those of other councils, particularly with regard to the position on risk.</p>
<p>Methodology to be applied for evaluating the impact of treasury management decisions</p>	<p>Monitoring of the outcome of treasury management activity against Prudential Indicators (PIs) approved by the Council will be carried out as part of the Treasury mid-year review to Cabinet.</p> <p>The year-end Annual Treasury Report will also include, as a matter of course, the outturn against the PIs set prior to the commencement of the financial year and any in-year amendments.</p> <p>The Council’s Treasury Management advisers review the existing debt portfolio and all transactions that have occurred in the interim in order to ensure that best practice has been achieved.</p> <p>The Council participates in the Treasury Management Advisor’s quarterly investment benchmarking as well as the Treasury Management Advisor’s annual Balance Sheet and Debt benchmarking.</p>

<p>Methods to be employed for measuring the performance of the Council's treasury management activities</p>	<p>Treasury management activity is reviewed half yearly against strategy and prevailing economic and market conditions through the Treasury mid-year review and treasury outturn to Cabinet.</p> <p>The report will include:</p> <ul style="list-style-type: none"> <li>a) CFR Funding Ratio (gross borrowing as a % of the Loans CFR)</li> <li>b) Gross and Net Borrowing; Leverage Ratio (gross borrowing as a proportion of net borrowing)</li> <li>c) Average rate on gross borrowing vs weighted average maturity</li> <li>d) Leveraged Rate on Net Borrowing vs Leverage Ratio</li> <li>e) The effect of new borrowing and/or maturities on the above</li> <li>f) The effect of any debt restructuring on the debt portfolio</li> <li>g) An analysis of any risks inherent within the debt portfolio (e.g. exposure to variable rate)</li> <li>h) Total investments including average rate, credit and maturity profile</li> <li>i) The effect of new investments/redemptions/maturities on the above</li> <li>j) The rate of return on investments against their indices for internally and externally managed funds</li> <li>k) An analysis of any risks inherent within the investment portfolio (e.g. exposure to market movements and volatility in price of CDs, gilts/bonds, pooled funds)</li> <li>l) A statement whether the treasury management activity resulted in a breach of the Prudential Indicators and other limits set within treasury strategy</li> <li>m) Daily bank balances: any major deviations from the target bank balances</li> </ul>
<p>Policy concerning methods for testing value for money in treasury management</p>	<p>The treasury management function will be the subject of ongoing analysis of the value for money it adds in support of the Council's stated corporate and service objectives.</p> <p>When tendering for treasury-related or banking services, the Council adheres to its Financial Regulations and Contracts Procedure Rules. These require that:</p> <ul style="list-style-type: none"> <li>a) For placing a contract with a value between £10,001 and £50,000, a minimum of three written quotations shall be obtained in consultation with the Procurement Manager.</li> <li>b) when placing a contract with a value in excess of £50,000, a tendering process that meets the requirements of the EU procurement procedures (OJEU) is undertaken</li> <li>c) If necessary, the Council will also consult with other users of similar services as well as with interested parties</li> <li>d) The Council will also evaluate alternative methods of the availability of fiscal, grant or subsidy initiatives, and service delivery</li> </ul>

**TMP3: DECISION MAKING AND ANALYSIS**

The Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time.

The guidance on decision making states that relevant due diligence should take place on all transactions. In respect of investment decisions, the organisation should consider the risks to capital and returns and the implications for the organisation’s future plans and budgets.

The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed below.

**Schedule**

<p>Capital expenditure and investment plans</p>	<p>The 2017 Prudential Code requires the Council to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the authority.</p> <p>Effective financial planning, option appraisal and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.</p> <ul style="list-style-type: none"> <li>• The Council has an investment Strategy and a Capital Strategy that is prepared/reviewed alongside the Medium Term Financial Strategy, for Scrutiny, Cabinet and Council to review and approve</li> <li>• The council has established an investment steering group (ISG) which is a working group of Cabinet, to evaluate and recommend to Cabinet potential new investments. The ISG will also oversee performance of the existing portfolio of commercial investments and loans. In addition to elected members, the ISG will have a number of independent people with experience in commercial investments, as non-voting members, providing additional guidance and support to councillors and officers. An annual report on the performance of the investment portfolio will be presented to the Governance, Audit and Performance (GAP) Committee</li> <li>• The Capital Programme is reviewed annually and all capital expenditure is subject to the submission of a business case and bid request</li> </ul>
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Major treasury decisions	<p>As a public service organisation, there is a requirement to demonstrate openness and accountability in treasury management activities. Accordingly, the Council will create and maintain an audit trail of major treasury management decisions which comprise either:</p> <ul style="list-style-type: none"> <li>a) changes to Prudential Indicator(s) during the course of the financial year</li> <li>b) options appraisal to determine a funding decision</li> <li>c) raising a new long-term loan/long-term source of finance</li> <li>d) prematurely restructuring/redeeming an existing long-term loan(s)</li> <li>e) investing longer-term (i.e. in excess of 1 year)</li> <li>f) utilisation of investment instruments which constitute capital expenditure (i.e. loan capital/share capital in a body corporate)</li> <li>g) leasing</li> <li>h) change in banking arrangements</li> <li>i) appointing/replacing a treasury advisor</li> <li>j) appointing/replacing a fund manager</li> </ul>
Process	<p>The Council's strategy for the application of its treasury policy is set out in the annual Treasury Management Strategy.</p> <p>Based on the Annual Treasury Management Strategy, the Director of Finance and Corporate Services will prepare monthly for the ensuing 12 months rolling forecasts of the financing, borrowing and surplus cash requirements of the Council, for the purpose of:</p> <ul style="list-style-type: none"> <li>• applying the strategy on a day to day basis</li> <li>• monitoring the results of the strategy</li> <li>• recommending amendments to the strategy to Cabinet where applicable during the course of the year</li> </ul>
Delegated powers for treasury management	<p>The Director of Finance and Corporate Services has delegated powers to carry out the Council's strategy for debt management, capital finance and borrowing, depositing surplus funds and managing the cash flows of the Council.</p>

<p>Issues to be addressed</p>	<p>In exercising these powers, the Director of Finance and Corporate Services and those to whom the treasury activities have been delegated will:</p> <ul style="list-style-type: none"> <li>• have regard to the nature and extent of any associated risks to which the Council may become exposed and put in place effective mechanisms for risk management and mitigation</li> <li>• be certain about the legality of the decision reached and that the necessary authority to proceed has been obtained</li> <li>• be satisfied that the documentation is appropriate to deliver the Council’s objectives, protect the Council’s interests, and to maintain an effective audit trail</li> <li>• ensure that the perceived credit risk associated with the approved counterparties parties is judged satisfactory and is within agreed limits</li> <li>• be satisfied that the terms of any transactions have been fully checked against the market, and have been found to be competitive</li> <li>• follow best practice in implementing the treasury transaction</li> </ul> <p>In exercising borrowing and funding decisions, the Director of Finance and Corporate Services will:</p> <ul style="list-style-type: none"> <li>• evaluate economic and market factors that may influence the manner and timing of any decision to fund</li> <li>• consider alternative forms of funding, including use of revenue resources, leasing and private partnerships</li> <li>• consider the use of internal resources and/or the most appropriate periods to fund and repayment profiles to use</li> <li>• consider ongoing revenue liabilities created</li> <li>• where applicable, monitor regularly the benefits of internal borrowing against the potential for incurring additional costs by deferring borrowing into future years</li> </ul> <p>The Authority’s objective when investing money is to strike <b>an appropriate balance between risk and return</b>, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.</p> <p>In exercising Investment decisions, the Director of Finance and Corporate Services will:</p> <ul style="list-style-type: none"> <li>• Determine that the investment is within the Council’s strategy and pre-determined instruments and criteria;</li> <li>• consider the optimum period, in the light of core balances and reserves, cash flow availability and prevailing market conditions;</li> <li>• the credit risk associated with unsecured investments with banks and building societies</li> <li>• consider the alternative investment products and techniques available if appropriate.</li> </ul>
<p>Processes to be pursued</p>	<p>The processes to be followed will be in keeping with TMP4 <i>Approved instruments, methods and techniques</i>.</p>

Records to be kept	<p>The Council will maintain a record of all major treasury management decisions, the processes undertaken and the rationale for reaching the decision made. These will allow for an historical assessment of decisions made and verification that any checks and safeguards are indeed in place and operating correctly.</p> <p>Records and working papers will be maintained by the Council electronically, and in relevant files.</p>
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#### TMP4: APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

The Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 *Risk Management*.

Where the Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual treasury strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products.

The consideration of skills and experience is particularly critical where organisations request to be treated as professional clients under MIFID II. Designation under MIFID II should be endorsed by the treasury management strategy and regularly reviewed to ensure that designation remains appropriate.”

#### Schedule

Approved treasury management activities	<p>The Council is permitted to undertake the following activities:</p> <ul style="list-style-type: none"> <li>• Managing cashflow</li> <li>• Capital financing</li> <li>• Borrowing including debt restructuring and debt repayment</li> <li>• Investing including redemption of investments</li> <li>• Banking</li> <li>• Leasing</li> <li>• Managing the underlying risk associated with the Council’s capital financing and surplus funds activities</li> </ul> <p>The above list is not definitive and the Council would, from time to time, consider new financial instruments and treasury management techniques. However, the Council will consider carefully whether the officers have the skills and experience to identify and manage the advantages and risks associated with using the instruments/techniques before undertaking them, more so as some risks may not be wholly or immediately transparent.</p>
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<p>Approved capital financing methods and types/sources of funding</p>	<ul style="list-style-type: none"> <li>• Public Works Loans Board (PWLB) loans and its successor body</li> <li>• Long term money market loans including forward starting loans and LOBOs</li> <li>• Temporary money market loans (up to 364 days)</li> <li>• Bank overdraft</li> <li>• Loans from bodies such as the European Investment Bank (EIB)</li> <li>• Stock issues</li> <li>• Deferred Purchase</li> <li>• Government and EU Capital Grants</li> <li>• Lottery monies</li> <li>• Other Capital Grants and Contributions</li> <li>• Private Finance Initiative</li> <li>• Operating and finance leases</li> <li>• Hire purchase</li> <li>• Sale and leaseback</li> </ul> <p>The Council may also use internal resources:</p> <ul style="list-style-type: none"> <li>• Capital Receipts</li> <li>• Revenue Balances</li> <li>• Reserves</li> </ul> <p>Approved sources of long-term and short-term borrowing include:</p> <ul style="list-style-type: none"> <li>• Public Works Loan Board (PWLB) and its successor body</li> <li>• Any institution approved for investments</li> <li>• Any other bank or building society authorised to operate in the UK</li> <li>• UK public and private sector pension funds (except Essex Pension Fund)</li> <li>• UK Municipal Bonds Agency and other special purpose vehicles created to enable local authority bond issues</li> <li>• <i>Any other counterparty you intend to borrow from</i></li> </ul> <p>The level of debt will be consistent with the Treasury Management Strategy and the Prudential Indicators.</p>
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<p>Approved treasury investment instruments</p>	<p>The Council will determine through its Annual Investment Strategy (AIS) which instruments it will use, giving priority to the security and liquidity (in that order) of its invested monies. The investments will be categorised as ‘Specified’ or ‘Non-Specified’ based on the criteria set out by the ODPM (now MHCLG) in its Investment Guidance March 2004 (as amended).</p> <p>The Council will determine through the AIS which instruments will be used in-house and which will be used by the appointed external fund manager(s) including the maximum exposure for each category of non-specified investments. Where applicable, the Council’s credit criteria will also apply.</p> <ul style="list-style-type: none"> <li>• Deposits with the UK government, the Debt Management Agency Deposit Facility (DMADF), and UK local authorities</li> <li>• Banks and building societies unsecured short-term (call and notice accounts, deposits, certificates of deposit)</li> <li>• Investments in Money Market Funds, i.e. ‘AAA’ liquidity funds</li> <li>• Treasury Bills</li> <li>• UK government bonds (Gilts)</li> <li>• Sterling denominated bonds by non-UK sovereign governments</li> <li>• Bonds issued by multilateral development banks</li> <li>• Sterling denominated bonds by non-UK sovereign governments</li> <li>• Covered bonds (i.e. those with underlying collateral)</li> <li>• Loans, bonds and commercial paper issued by corporates other than banks (secured and unsecured)</li> <li>• Reverse Repurchase Agreements (‘reverse repos’)</li> <li>• Investments with Registered Providers of Social Housing (i.e. housing associations)</li> <li>• Pooled funds meeting the definition of Collective Investment Schemes in SI 2004 No 534 and subsequent amendments and which invest in cash instruments /bonds / equities / property – (bond, equity, property and multi asset funds will be long-dated strategic investments)</li> </ul> <p>The Council will ensure it maintains the skills and experience necessary to evaluate the benefits and control the risks associated with the above investment instruments.</p>
<p>Investments that are not part of treasury management activity</p>	<p>These are investments which the Council invests in other financial assets and property primarily for financial return. Such activity includes investments in subsidiaries.</p> <p>The Council ensures that it has the same robust procedures for the consideration of risk and return and</p> <ul style="list-style-type: none"> <li>• Ensures that all investments, including non-treasury investments are covered in the Capital Strategy.</li> <li>• Maintains a schedule of existing material investments, subsidiaries, joint ventures and liabilities including financial guarantees and the corresponding risk exposure.</li> </ul>

Use of Derivatives	<p>The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).</p> <p>As the Council is using/likely to use derivatives, it is a requirement of the CIPFA Code to clearly detail our policy on their use in the annual treasury strategy.</p> <p>The Council will only use the following standalone financial derivatives, swaps, forwards, futures and options as these can be clearly demonstrated to reduce the overall level of the financial risks the Council is exposed to.</p> <p>Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk.</p> <p>Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.</p> <p>Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.</p> <p>The use of derivatives is restricted to only those officers who have completed the appropriate training for their use.</p>
MiFID II professional client status	<p>The Council has reviewed its classification with financial institutions under MiFID II and has set out in the schedule below those organisations with which it is registered as a professional client and those which it has an application outstanding to register as a professional client.</p> <p>Organisations with whom the Council has opted up to professional client status</p> <ul style="list-style-type: none"> <li>• Arlingclose</li> <li>• Tradition (UK) Ltd</li> <li>• BGC Partners LP</li> <li>• Tullett Prebon (Europe) Ltd</li> <li>• ICAP Global Brokering Holdings Ltd</li> <li>• Imperial Treasury Services</li> <li>• Federated Investors (UK) LLP</li> </ul> <p>Organisations with whom the Council has an application to register as a professional client outstanding</p> <ul style="list-style-type: none"> <li>• Invesco Global Asset Management Ltd</li> </ul> <p>The consideration of skills and experience is particularly critical where the Council has requested to be treated as a professional client under MiFID II. Designation under MiFID II will be endorsed by the treasury strategy and reviewed annually to ensure the designation remains appropriate.</p>

## TMP5: ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

The Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the Director of Finance and Corporate Services will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

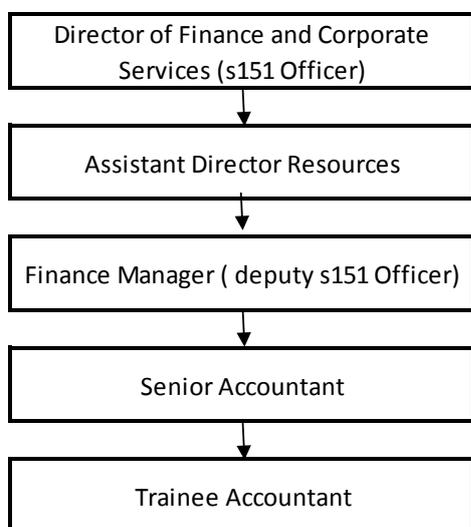
The Director of Finance and Corporate Services will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Director of Finance and Corporate Services will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in the schedule below.

The Director of Finance and Corporate Services will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the schedule below.

The delegations to the Director of Finance and Corporate Services in respect of treasury management are set out in the schedule below. The Director of Finance and Corporate Services will fulfil all such responsibilities in accordance with the Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

### Schedule

#### Organisational Chart of the Treasury Management Function



<p>Limits to responsibilities / discretion at committee / executive levels</p>	<p>Full Council: receiving and reviewing</p> <ul style="list-style-type: none"> <li>• Capital Strategy</li> <li>• Prudential Indicators</li> <li>• Treasury Management Strategy</li> <li>• Annual Investment Strategy</li> <li>• receiving and reviewing reports on treasury management policies, practices and activities (following receipt by Cabinet)</li> </ul> <p>Cabinet:</p> <ul style="list-style-type: none"> <li>• approval of amendments to adopted clauses, treasury management policy statement, Treasury management strategy and treasury management practices</li> <li>• budget consideration and approval</li> <li>• receiving and reviewing external audit reports and acting on recommendations</li> <li>• approving the selection of external service providers and agreeing terms of appointment</li> </ul>
<p>Principles and practices concerning segregation of duties</p>	<p>The segregation of duties will be determined by Director of Finance and Corporate Services (Section 151 Officer).</p> <p>Segregation of duties exists in that:</p> <ul style="list-style-type: none"> <li>• the officer(s) responsible for negotiating and closing treasury management deals is/are completely separate from the officer(s) with responsibility for recording the transactions in the cash book and completing cheque and bank reconciliations</li> <li>• the officer(s) responsible for negotiating and closing treasury management deals is separate from officer(s) authorising payments</li> <li>• all borrowing/investments decisions must be authorised by the Assistant Director Resources.</li> </ul> <p>Additionally, The Council receives bank statements on a daily basis. These are posted independent of the treasury function in order to maintain an adequate separation of duties.</p>

<p>Statement of duties/ responsibilities of each treasury / relevant post</p>	<p>Assistant Director Resources:</p> <ul style="list-style-type: none"> <li>• submitting budgets and budget variations</li> <li>• recommending clauses, treasury management policy, practices for approval, reviewing the same regularly and monitoring compliance</li> <li>• determining Prudential Indicators and Treasury Management Strategy including the Annual Investment Strategy</li> <li>• submitting regular treasury management policy reports</li> <li>• receiving and reviewing management information reports</li> <li>• reviewing the performance of the treasury management function and promoting best value reviews</li> <li>• ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function</li> <li>• ensuring the adequacy of internal audit and liaising with external audit</li> <li>• recommending the appointment of external service providers</li> <li>• determining long-term capital financing and investment decisions</li> <li>• The Assistant Director Resources has delegated powers to determine and undertake the most appropriate form of borrowing from the approved sources, and to make the most appropriate form of investments in approved instruments</li> </ul> <p>Senior Accountant</p> <ul style="list-style-type: none"> <li>• execution of transactions</li> <li>• adherence to agreed policies and practices on a day to day basis</li> <li>• maintaining relationships with third parties and external service providers</li> <li>• monitoring performance on a day to day basis</li> <li>• submitting management information reports to the responsible officer</li> <li>• identifying and recommending opportunities for improved practices</li> <li>• recording treasury management transactions,</li> <li>• reconciling treasury management transactions with the financial ledger</li> <li>• recording/reconciling counterparty documentation</li> </ul>
<p>Absence cover arrangements</p>	<p>Cover in the absence of the relevant treasury management officer is provided by:</p> <ul style="list-style-type: none"> <li>• Finance Manager</li> <li>• Trainee Accountant</li> </ul> <p>Cover is reviewed at least annually, or as necessary. Full procedure notes are available, detailing the processes required to enable the day to day operation of the treasury management function.</p>

## Dealing

<p>Authorised officers</p>	<p>Responsible officer for borrowing/investment decisions :</p> <p>Borrowing activity: Assistant Director Resources</p> <p>Lending activity: Assistant Director Resources</p> <p>Authorising payments for borrowing/lending : Finance Manager</p> <p>Transaction recording: Senior Accountant</p>
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Dealing limits	Internally Managed Investments: the maximum for any one investment deal other than DMADF is £3 million, (subject to the lending limits detailed in the Council's Annual Investment Strategy.)
Dealing platforms / portals	ICD Money Market Fund Portal
List of approved brokers	Brokers used by the Council are specified in TMP11 <i>External service providers</i>
Policy on brokers' services	It is the Council's policy to utilise the services between at least two brokers. The Council will maintain a spread of business between them in order to avoid relying on the services of any one broker.
Policy on taping of conversations	Conversations with brokers are taped by the brokers.
Direct dealing practices	<p>Direct dealing is carried out with institutions and with externally managed pooled funds identified in the Operational Schedule subject to counterparty and maturity limits and dealing limits.</p> <p>Prior to undertaking direct dealing, the Council will ensure that each counterparty / fund has been provided with the Council's list of authorised dealers and the Council's Standard Settlement Procedures.</p> <p>The template for the Council's Standard Settlement Procedures is included in the Operational Schedule.</p>
Inter-authority dealing	<p>The Council also deals with other local authorities to invest and borrow funds for treasury management purposes.</p> <p>In addition to transactions conducted through brokers, deals are conducted direct with other authorities.</p> <p>A record of all deals, together with their specific terms, will be maintained by the Council.</p>
Deal Ticket proforma	Deals will be recorded as per the deal ticket proforma ( <i>proforma maintained at operational level</i> )
Settlement transmission procedures	<ul style="list-style-type: none"> <li>• settlements are made by <u>CHAPS/BACS</u></li> <li>• all <u>CHAPS/BACS</u> payments relating to settlement transactions require authorisation by the Finance Manager</li> <li>• the details are transmitted through Barclays.net</li> </ul>

Documentation requirements	<p>For each deal undertaken a record should be prepared giving details of dealer, amount, period, counterparty, interest rate, dealing date, payments date(s), broker.</p> <p>Investments</p> <ul style="list-style-type: none"> <li>• deal ticket with signature to agree the investment</li> <li>• confirmation from the broker</li> <li>• confirmation from the counterparty</li> <li>• Contract notes for purchase and sale of shares/units in pooled funds from the fund's manager/administrator</li> <li>• CHAPS payment transmission document</li> </ul> <p>Loans:</p> <ul style="list-style-type: none"> <li>• deal ticket with signature to agree the loan</li> <li>• confirmation from the broker</li> <li>• confirmation from PWLB/market counterparty</li> <li>• CHAPS payment transmission document.</li> </ul>
Arrangements concerning the management of counterparty lists	<ul style="list-style-type: none"> <li>• The Senior Accountant responsible for Treasury Management has responsibility for updating the Council's records with any credit developments.</li> <li>• The Senior Accountant responsible for Treasury Management is tasked with checking that records have been correctly updated to reflect any credit developments.</li> </ul>

## **TMP6: REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS**

The Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum, Full Council will receive:

- An annual report on the strategy and plan to be pursued in the coming year
- A mid-year review
- An annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and TMPs.

Cabinet, to which some treasury responsibilities are delegated, will receive regular monitoring reports on treasury management activities and risks.

The Council will report the treasury management indicators as detailed in the TM Code's sector-specific guidance notes.

The present arrangements and the form of these reports are outlined below.

## Schedule

<p>Capital Strategy:</p>	<p>This is a summary document approved by Full Council covering capital expenditure and financing, treasury management and non-treasury investments. It is intended to give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. The Capital Strategy will include:</p> <ul style="list-style-type: none"><li>• Capital expenditure, including the approval process, long-term financing strategy, asset management, maintenance requirements, planned disposals and funding restrictions.</li><li>• Commercial activities, including due diligence processes, the authority's risk appetite, proportionality in respect of overall resources, requirements for independent and expert advice and scrutiny arrangements.</li><li>• Long-term context in which capital expenditure decisions are made for the above, risk and reward considerations and impact on the achievement of priority outcomes.</li><li>• Debt management, including projections for the level of borrowing, capital financing requirement and liability benchmark, provision for the repayment of debt, the authorised limit and operational boundary for the coming year and the authority's approach to treasury management.</li><li>• Other long-term liabilities, such as financial guarantees.</li><li>• Knowledge and skills, including a summary of that available to the authority and its link to the authority's risk appetite.</li></ul> <p>The strategy should include sufficient detail to allow all members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and to meet legislative requirements on reporting.</p> <p>The Director of Finance and Corporate Services will report explicitly on the affordability and risk associated with the Capital Strategy and, where appropriate, have access to specialised advice to enable the members to reach their conclusions.</p> <p>The Director of Finance and Corporate Services will also ensure that where detailed information is required, this will be made available in a format to encourage active engagement and, if necessary, any associated training needs of members.</p>
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<p>Content and frequency of other board / committee reporting requirements</p>	<p>The Director of Finance and Corporate Services will annually submit budgets and report on budget variations as appropriate.</p> <p>The <i>Assistant Director Resources</i> will submit the Prudential Indicators and the Treasury Strategy Statement (including Annual Investment Strategy) and report on the projected borrowing and investment strategy and activity for the forthcoming financial year to full Council before the start of the financial year.</p> <p>The Annual Treasury Report will be prepared as soon as practicable after the financial year end and, in all cases, before the end of September.</p> <p>A Mid-Year Treasury Report will be prepared by the Assistant Director Resources, which will report on treasury management activities for the first part of the financial year. The report will also provide a forecast for the current year. The Mid-Year Report will be submitted to Cabinet during the year.</p>
<p>Content of Reporting: 1. Prudential Indicators</p>	<p>The Council will set the following Prudential Indicators in its annual / semi-annual reports and publish actual outturn (where appropriate) in respect of:</p> <ul style="list-style-type: none"> <li>• Capital expenditure (estimates; actual)</li> <li>• Capital Financing Requirement (estimates; actual)</li> <li>• Gross Debt and the Capital Financing Requirement</li> <li>• Financing costs as a proportion of net revenue stream (estimate; actual)</li> <li>• Authorised limit for external debt</li> <li>• Operational boundary for external debt</li> <li>• Treasury indicators</li> <li>• Upper and lower limits to maturity structure of borrowing</li> <li>• Upper limit to total of principal sums invested longer than 365 days.</li> </ul> <p>Add any voluntary indicators, as applicable</p> <ul style="list-style-type: none"> <li>• Exposure to credit risk</li> <li>• Exposure to liquidity risk</li> <li>• Exposure to Interest Rate Risk</li> </ul> <p>The Prudential Indicators are approved and revised by full Council and are integrated into the Council's overall financial planning and budget process.</p> <p>The Scrutiny committee will also receive a copy of this report to carry out its scrutiny role of treasury management.</p>

<p>2. Treasury Strategy Statement including the Annual Investment Strategy</p>	<p>The Treasury Strategy Statement integrates with the Prudential Indicators being set and will include the following:</p> <ul style="list-style-type: none"> <li>• Link to Capital Financing and Treasury Management Prudential Indicators for the current and ensuing three years</li> <li>• Strategy for financing new borrowing requirements (if any) and refinancing maturing borrowing (if any) over the next three years and for restructuring of debt</li> <li>• the extent to which surplus funds are earmarked for short term requirements</li> <li>• the investment strategy for the forthcoming year(s)*</li> <li>• the minimum to be held in short term/specified investment during the coming year</li> <li>• the interest rate outlook against which the treasury activities are likely to be undertaken.</li> </ul> <p>*Based on the MHCLG’s Guidance on Investments, the Council will produce an Annual Investment Strategy (AIS) which sets out</p> <ul style="list-style-type: none"> <li>• the objectives, policies and strategy for managing its investments</li> <li>• the determination of which Specified and Non-Specified Investments the Council will utilise during the forthcoming financial year(s) based on the Council’s economic and investment outlook and the expected level of investment balances</li> <li>• the limits for the use of Non-Specified Investments</li> </ul> <p>The AIS will be integrated into the Treasury Strategy Statement.</p> <p>The Scrutiny committee will also receive a copy of this report to carry out its scrutiny role of treasury management as part of the annual budget setting.</p>
<p>3. Mid-Year and Annual Treasury Outturn Reports</p>	<p>The Assistant Director Resources will produce a mid-year and an annual report for the Cabinet on all activities of the treasury management function (including the performance of fund managers) as soon as practicable after the end of the relevant period.</p> <p>The main contents of the report will comprise:</p> <ul style="list-style-type: none"> <li>• the prevailing economic and credit environment</li> <li>• a commentary on treasury operations (borrowing and investments) for the period, including their revenue effects;</li> <li>• commentary on the risk implications of treasury activities undertaken and the overall impact on the treasury portfolio</li> <li>• any future implications for the treasury portfolio</li> <li>• compliance with agreed policies/practices and statutory/regulatory requirements</li> <li>• compliance with agreed policies / practices and statutory / regulatory requirements</li> <li>• performance measurement</li> <li>• training /continuous professional development undertaken by treasury officers.</li> </ul> <p>The mid-year and annual reports will include compliance with the treasury indicators. Compliance with non-treasury prudential indicators will be reported along with the capital outturn report.</p>

<p>Content and frequency of management information reports</p>	<p>The Assistant Director Resources produces a quarterly monitoring report for Cabinet.</p> <p>This report includes details of:</p> <ul style="list-style-type: none"> <li>• borrowing and investment activity undertaken including forward deals</li> <li>• brokers' fees</li> <li>• interest rates and forecasts</li> <li>• extent of compliance with the treasury strategy and reasons for variance (if any)</li> </ul>
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## TMP7: BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

The Director of Finance and Corporate Services (Section 151 Officer) will prepare, and the Council will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget will at minimum be those required by statute or regulation, together with such information as will demonstrate compliance with TMP1 *Risk management*, TMP2 *Performance measurement*, and TMP4 *Approved instruments, methods and techniques*.

The Assistant Director Resources will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 *Reporting requirements and management information arrangements*.

The Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being. The present form of the Council's accounts is set out in the schedule.

The Council will ensure that its auditors, and those charged with regulatory review, have access to all information and papers supporting the activities of the treasury management function as are necessary for the proper fulfilment of their roles, and that such information and papers demonstrate compliance with external and internal policies and approved practices. The information made available under present arrangements is detailed below.

### Schedule

Statutory/regulatory requirements	<p><i>Balanced Budget Requirement:</i> The provisions of S32 and S43 of the Local Government Finance Act 1992 require this Council to calculate its budget requirement for each financial year including, among other aspects:</p> <p>(a) the expenditure which is estimated to be incurred in the year of performing its functions and which will be charged to a revenue account, and</p> <p>(b) revenue costs which flow from capital financing decisions</p> <p>S33 of the Act requires the Council to set a council tax sufficient to meet expenditure after taking into account other sources of income.</p>
Accounting practices and standards	CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice (the local authority SORP) constitutes "proper accounting practice under the terms of S21 (2) of the Local Government Act 2003".

Financial Statements	<p>The Financial Statements comprise:</p> <ul style="list-style-type: none"> <li>• Management commentary</li> <li>• Statement of Responsibilities for the annual accounts</li> <li>• Movement in Reserves Statement</li> <li>• Comprehensive Income and Expenditure Statement (Group and Council)</li> <li>• Balance Sheet (Group and Council)</li> <li>• Cash Flow Statement (Group and Council)</li> <li>• Notes to the Financial Statements</li> <li>• Housing Revenue Account</li> <li>• Council Tax Income Account</li> <li>• Non-Domestic Rates Income Account</li> <li>• Common Good Fund</li> <li>• Annual Governance Statement</li> <li>• Statement of Accounting Policies</li> <li>• Remuneration Report</li> <li>• Independent Auditor's Report/Certificate</li> <li>• Glossary of Terms</li> </ul>
Format of the Council's accounts	<p>The current form of the Council's accounts is available <a href="http://www.uttlesford.gov.uk/finance">www.uttlesford.gov.uk/finance</a></p>
Disclosures relating to treasury management	<p>Due regard will be given to the disclosure requirements under CIPFA's Accounting Code of Practice.</p>
List of information requirements of external auditors	<p>The following information is specifically requested by the external auditor and should be considered an initial request for information. It is usually followed by more detailed audit testing work which often requires further information and/or explanations from the Council's officers.</p> <p>Information in this context includes internally generated documents including those from the Council's Treasury Management System, externally generated documents, observation of treasury management practices which support and explain the operation and activities of the treasury management function.</p> <ul style="list-style-type: none"> <li>• Determination of Affordable Borrowing Limit under Section 3 of the Local Government Act 2003</li> <li>• Prudential Indicators</li> <li>• Treasury Management Strategy including Annual Investment Strategy</li> </ul> <p><u>External borrowing</u></p> <ul style="list-style-type: none"> <li>• New loans borrowed during the year: PWLB certificates / documentation in relation to market loans borrowed (including copy of agreements, schedule of commitments)</li> <li>• Loan maturities</li> <li>• Compliance with proper accounting practice, regulations and determinations for the amortisation of premiums and discounts arising on loans restructured during the year and previous years.</li> <li>• Analysis of loans outstanding at year end including maturity analysis</li> <li>• Analysis of borrowing between long- and short-term</li> <li>• Debt management and financing costs <ul style="list-style-type: none"> <li>* calculation of (i) interest paid (ii) accrued interest</li> <li>* interest paid</li> </ul> </li> <li>• MRP calculation and analysis of movement in the CFR.</li> </ul>

	<ul style="list-style-type: none"> <li>• Bank overdraft position.</li> <li>• Brokerage/commissions/transaction related costs</li> </ul> <p><u>Investments</u></p> <ul style="list-style-type: none"> <li>• Investment transactions during the year including any transaction-related costs</li> <li>• cash and bank balances at year end</li> <li>• Short-term investments at year end</li> <li>• Long-term investments at year end (including investments in associates and joint ventures) by asset type, including unrealised gains or losses at year end</li> <li>• calculation of (i) interest received (ii) accrued interest</li> <li>• actual interest received</li> <li>• Pooled funds' purchase and sale contract notes; notification of income distributions (if any)</li> <li>• Evidence of existence and title to investments (month-end / quarter-end statements)</li> <li>• Schedule of any investments in companies together with their latest financial statements); statement of transactions between the company and the Council.</li> </ul> <p><u>Cash Flow</u></p> <ul style="list-style-type: none"> <li>• Reconciliation of the movement in cash to the movement in net debt</li> <li>• Cash inflows and outflows (in respect of long-term financing)</li> <li>• Cash inflows and outflows (in respect of purchase/sale of long-term investments)</li> <li>• Net increase/decrease in (i) short-term loans (ii) short-term deposits (iii) other liquid resources</li> </ul> <p><u>Other</u></p> <ul style="list-style-type: none"> <li>• Details of (treasury-related) material events after balance sheet date not reflected in the financial statements.</li> <li>• External advisors'/consultants' charges</li> </ul>
Internal Audit	<p>Internal Audit generally conducts a tri annual review of the treasury management function and probity testing.</p> <p>The internal auditors will be given access to treasury management information/documentation as required by them.</p>
Compliance with CIPFA Treasury Management and Prudential Codes	<p>Auditors may require evidence/demonstration of compliance with external and internal treasury management policies and strategy.</p> <p>Any serious breach of the TM Code's recommendations or Prudential Indicators should be brought to the attention of the external auditor.</p>
Costs for treasury management	<p>The budget for treasury management forms part of the Financial Services budget.</p>

## TMP8: CASH AND CASH FLOW MANAGEMENT

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of the Council will be under the control of the Director of Finance and Corporate Services, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Assistant Director Resources will ensure that these are adequate for the purposes of monitoring compliance with TMP1[2] *liquidity risk management*. The present arrangements for preparing cash flow projections and their form are set out in the schedule below.

### Schedule

Arrangements for preparing /submitting cash flow statements	<p>Cash flow forecasts will be viewed over 2-year time horizons and will be used to formulate the Council's borrowing and investment strategy by identifying periods of surplus or shortfall of cash balances.</p> <p>The cash flow forecasts and statements are held at operational level.</p> <p>The accuracy and effectiveness of the Council's cash flows are dependent on the accuracy of estimating expenditure, income and their corresponding time periods.</p> <p>A <b>detailed annual cash flow</b> is prepared for the financial year once the budget for the ensuing year has been agreed, which is monitored and updated on a daily basis. It identifies the major inflows and outflows on a month by month basis.</p> <p>It is prepared using the agreed revenue budget and capital programme for the financial year and based on the knowledge obtained from the Council's various service sections incurring the expenditure /receiving the income and can be supplemented by the experience from previous years.</p> <p><b>Daily cash flows</b> show forecast and planned movements of cash on a daily basis, including the matching of known inflows and payments.</p>
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<p>Content and frequency of cash flow budgets</p>	<p>The detailed cash flow model includes the following:</p> <ul style="list-style-type: none"> <li>• revenue income and expenditure based on the budget</li> <li>• profiled capital income and expenditure as per the capital programme</li> </ul> <p><b>Revenue activities</b></p> <p><u>Inflows</u></p> <ul style="list-style-type: none"> <li>• Revenue Support Grant</li> <li>• Precepts received</li> <li>• Non-domestic rates receipts</li> <li>• NNDR receipts from national pool</li> <li>• Council tax receipts</li> <li>• DSS / other government grants</li> <li>• Cash for goods and services</li> <li>• Other operating cash receipts</li> </ul> <p><u>Outflows</u></p> <ul style="list-style-type: none"> <li>• Salaries and payments on behalf of employees</li> <li>• Operating cash payments</li> <li>• Housing Benefit paid</li> <li>• Precepts paid</li> <li>• NNDR payments to national pool</li> <li>• Payments to the capital receipts pool</li> </ul> <p><b>Capital activities including financing</b></p> <p><u>Inflows</u></p> <ul style="list-style-type: none"> <li>• Capital grants received</li> <li>• Sale of fixed assets</li> <li>• Other capital cash receipts</li> </ul> <p><u>Outflows</u></p> <ul style="list-style-type: none"> <li>• Purchase of fixed assets</li> <li>• Purchase of long-term investments</li> <li>• Other capital cash payments</li> </ul> <p><b>Financing, servicing of finance/returns on investments</b></p> <p><u>Inflows</u></p> <ul style="list-style-type: none"> <li>• New long-term loans raised</li> <li>• New short-term loans raised</li> <li>• Interest received</li> <li>• Discount on premature repayment of loan</li> </ul> <p><u>Outflows</u></p> <ul style="list-style-type: none"> <li>• Loan repayments</li> <li>• Premia on premature repayment of loan</li> <li>• Short-term investments</li> <li>• Capital element of finance lease rental payments</li> <li>• Interest paid</li> <li>• Interest element of finance lease rental payments</li> </ul>
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Monitoring, frequency of cash flow updates	<p>The annual cash flow statement is updated as necessary with the actual cash inflows and outflows after taking account of any revisions including those relating to grant income and capital expenditure and will be reconciled with:</p> <ul style="list-style-type: none"> <li>• Net RSG and NNDR payments as notified</li> <li>• County council, police and fire authority precepts as notified</li> <li>• Actual salaries and other employee costs paid from account bank statements</li> <li>• Actual payments to Inland Revenue from general account bank statements</li> <li>• Actual council tax received</li> <li>• Actual rent allowances paid</li> <li>• Actual housing benefit</li> <li>• Actual council house rent cash received</li> <li>• Actual capital programme expenditure and receipts</li> </ul>														
Bank statements procedures	<p>The Council receives bank statements on a daily basis. These are posted independent of the treasury function and are reconciled to the general ledger on a daily basis.</p>														
Payment scheduling and agreed terms of trade with creditors	<p>The Council has a policy of paying suppliers in line with agreed terms of trade.</p>														
Arrangements for monitoring debtor/ creditor levels	<p>Debtor levels are monitored using a monthly Sundry Debtors Monitoring Report to the Assistant Director Resources which will include an analysis of debt by age and details of recovery status.</p> <p>The level of creditor invoices being processed/remaining unpaid is monitored on a daily basis by the Payments Team. A weekly report is produced that details all BACS and cheque payments for the next payment run and recorded in P drive.</p>														
Procedures for banking of funds	<p>Instructions for the banking of income are set out in the Financial Regulations. Cash and cheques received in the cashier's section are banked daily.</p> <p>All the Council's sections are advised of the requirement to bank on a regular basis to comply with recommended best practice and also remain within the particular insurance limits for the Council's premises.</p>														
Listing of sources of information	<p>The treasury function receives cash flow information from the following persons/departments:</p> <table border="1" data-bbox="453 1574 1299 1872"> <thead> <tr> <th>Type of Information</th> <th>Source</th> </tr> </thead> <tbody> <tr> <td>NNDR Refunds</td> <td>Revenues Team Leader</td> </tr> <tr> <td>S106 payments/receipts</td> <td>S106 Monitoring and Enforcement Officer</td> </tr> <tr> <td>Weekly Payment runs</td> <td>Finance Officer</td> </tr> <tr> <td>Monthly VAT returns</td> <td>Senior Accountant</td> </tr> <tr> <td>Right to buy receipts</td> <td>Legal Department</td> </tr> <tr> <td>Large purchase orders</td> <td>Procurement Manager</td> </tr> </tbody> </table>	Type of Information	Source	NNDR Refunds	Revenues Team Leader	S106 payments/receipts	S106 Monitoring and Enforcement Officer	Weekly Payment runs	Finance Officer	Monthly VAT returns	Senior Accountant	Right to buy receipts	Legal Department	Large purchase orders	Procurement Manager
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Right to buy receipts	Legal Department														
Large purchase orders	Procurement Manager														

**TMP9: MONEY LAUNDERING**

The Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the schedule below.

**Schedule**

<p>Prevention of Money Laundering Procedures</p>	<p>This Council’s policy is to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.</p> <p>The Council has accepted responsibility to ensure those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained.</p>
<p>Treasury documentation</p>	<p>The Council will reflect the anti-money laundering measures it has in place as part of its treasury documentation. Such measures include:</p> <ul style="list-style-type: none"> <li>• Awareness of what constitutes money laundering</li> <li>• The obligation to report knowledge of/having reasonable grounds to believe an offence might be committed</li> <li>• Maintaining up-to-date direct dealing and SSI mandates with counterparties</li> </ul>
<p>Nomination of Responsible Officer(s)</p>	<p>(a) The Council has nominated Monitoring Officer to be the responsible officer(s) to whom any suspicions relating to transactions involving the Council will be communicated</p> <p>(b) The Monitoring Officer will be conversant with the requirements of the Proceeds of Crime Act 2002 and will ensure relevant staff are appropriately trained and informed so they are alert for suspicious transactions</p> <p>(c) The Monitoring Officer will make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries and to make reports, where necessary, to National Criminal Intelligence Services (NCIS)</p>

<p>Procedures for establishing the identity/authenticity of Lenders and Borrowers</p>	<p>(a) In the course of its treasury activities, the Council will only borrow from permitted sources identified in TMP4 <i>Approved instruments, methods and techniques</i></p> <p>(b) The Council will not accept loans from individuals.</p> <p>(c) In the course of its treasury activities, the Council will only invest with those counterparties which are on its approved lending list</p> <p>(d) The identity and authenticity of commercial institutions (banks, building societies and other financial institutions) authorised to carry out borrowing and lending activity in the UK will be checked via the Bank of England/Prudential Regulation Authority's website</p> <p>(e) All receipts/disbursements of funds will be undertaken by <u>Bacs</u> or <u>CHAPS</u> settlement</p> <p>(f) Direct dealing mandates: The Council will provide (in the case of lending) / obtain (in the case of borrowing) and maintain on file dealing mandates with any new money market counterparty. The mandates should be on letter-headed paper, dated and signed</p> <p>(g) All banking transactions will only be undertaken by the personnel authorised to operate the Council's banks accounts</p> <p>(h) If the Council takes/provides loans from individuals, it will establish robust procedures for verifying and recording the appropriate financial and personal information of such individuals</p> <p>(i) When receiving requests for change of payment details, due care will be exercised to ascertain the bona fide of the request and avoid potential fraud. Additional checks will be made through pre-existing contact details for the payee before altering payment details</p>
<p>Identifying sources of borrowing/investment</p>	<p>When borrowing/investing funds for treasury management purposes, the Council will only borrow from and invest with sources and counterparties as identified in the Treasury Management Strategy. The criteria for the construction and management of the lending list are detailed in TMP1 <i>Risk Management</i>.</p>

## TMP10: TRAINING AND QUALIFICATIONS

The Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Director of Finance and Corporate Services will recommend and implement the necessary arrangements.

The Director of Finance and Corporate Services will ensure that council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and responsibilities.

Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in the schedule below.

**Schedule**

<p>Details of approved qualifications</p>	<p>There is a fully qualified accountant within the team to manage Treasury Management functions. The administrative role should have demonstrable experience of Treasury Management administration and activities</p>
<p>Details of approved training courses</p>	<p>The courses/events the Council would expect its treasury personnel to consider are:</p> <ul style="list-style-type: none"> <li>• Training courses for Accounting, Auditing, Best Value/Competition, Budgeting, Capital Finance &amp; Borrowing, Financial Management run by CIPFA and the Association of Corporate Treasurers and other appropriate organisations</li> <li>• Any workshops/seminars run by Treasury Management Consultants</li> <li>• Attending CIPFA Conference</li> <li>• Training attended by those responsible for scrutiny of the treasury function</li> <li>• Treasury Management working Groups</li> </ul>
<p>Records of training received by treasury and other relevant staff</p>	<p>Treasury-related training records are maintained</p>

## TMP11: USE OF EXTERNAL SERVICE PROVIDERS

The Council recognises that responsibility for the treasury management decisions remains with the organisation at all times. It recognises that there may be potential value of employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also 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. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Procurement Manager, and details of the current arrangements are set out in the schedule below.

### Schedule

Contract threshold	The Council's Financial Regulations require that a formal contract is in place with external service providers where the contract value is £50,000 and above. The contract will clearly state the services to be provided and the terms on which they will be provided.
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<p>Service providers, including bankers, brokers, consultants and advisers</p>	<p>(a) Bankers to the Council          Barclays Bank PLC          12a Market Place          Saffron Walden          Essex          CB10 1HR          Tel: 03301 502 724          Contract period: Ongoing          Formal agreement in place: yes</p> <p>(b) Treasury advisor:          Arlingclose          35 Chiswell Street          London          EC1Y 4SE          Tel: 08448 808 200          Contract period: Dec 2018 to Dec 2019          Formal agreement in place: yes</p> <p>(c) Brokers          It is considered good practice for the Council to have at least two brokers and to spread business between them.</p> <table data-bbox="494 1048 1348 1680"> <tr> <td> <p>Tradition (UK) Ltd            Beaufort House            15 St. Botolph Street            London            EC3A 7QX            Tel: 02074223566            Contract period: none            Formal agreement in place: no</p> </td> <td> <p>BGC Partners LP            1 Churchill Place            London            E14 5RD            Tel: 02078947742            Contract period: none            Formal agreement in place: no</p> </td> </tr> <tr> <td> <p>Tullett Prebon            155 Bishopsgate            London            EC2M 3TQ            Tel: 02072 007 042            Contract period: none            Formal agreement in place: no</p> </td> <td> <p>Imperial Treasury Services            25 St Andrews St            Hertford            SG141HZ            Tel: 01992 945 550            Contract period: none            Formal agreement in place: no</p> </td> </tr> </table>	<p>Tradition (UK) Ltd            Beaufort House            15 St. Botolph Street            London            EC3A 7QX            Tel: 02074223566            Contract period: none            Formal agreement in place: no</p>	<p>BGC Partners LP            1 Churchill Place            London            E14 5RD            Tel: 02078947742            Contract period: none            Formal agreement in place: no</p>	<p>Tullett Prebon            155 Bishopsgate            London            EC2M 3TQ            Tel: 02072 007 042            Contract period: none            Formal agreement in place: no</p>	<p>Imperial Treasury Services            25 St Andrews St            Hertford            SG141HZ            Tel: 01992 945 550            Contract period: none            Formal agreement in place: no</p>
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Regulatory status of services provided	<p>The Council’s external service providers are listed below, along with their regulatory status:</p> <ul style="list-style-type: none"> <li>• Bankers to the Council – Barclays plc is regulated by the Prudential Regulation Authority and the Financial Conduct Authority</li> <li>• Treasury Adviser – Arlingclose Ltd is regulated by the Financial Conduct Authority</li> <li>• Collective Investment Schemes (pooled funds) – regulated by the UK’s Financial Conduct Authority / Central Bank of Ireland or a recognised, competent EU authority.</li> <li>• Broker’s – Tradition (UK) Ltd, BGC Partners LP, Tullet Prebon, Imperial Financial Services and ICAP are all regulated by the Financial Conduct Authority</li> </ul>
Details of service provided by Treasury Advisor	<ul style="list-style-type: none"> <li>• Attend up to four client meeting per annum – to formulate strategy, to discuss matters arising in the Treasury function of the Authority and its subsidiary companies, strategy, timing and objectives, and staff/member training</li> <li>• Advise the Authority in regard to the timing of Debt and Investment transactions and restructuring</li> <li>• Supply valuations of Investment portfolios when appropriate</li> <li>• Assist the authority in the compilation of the: <ul style="list-style-type: none"> <li>* Treasury Management Policy Statement</li> <li>* Treasury Management practices</li> <li>* Treasury Management Strategy Statement</li> <li>* Annual Investment Strategy Statement</li> <li>* Annual Treasury Management Review</li> <li>* Capital Strategy</li> </ul> </li> <li>• Provide the Authority with relevant and timely economic information and economic forecasts to underpin the agreed strategy</li> <li>• Monitor and comment on the performance of the Authority’s investments</li> <li>• Reconcile the counterparty list of the Authority, in relation to the criteria set out in the Authority’s Treasury Strategy</li> <li>• Attendance by an officer at each workshop and training event</li> </ul> <p>It must be remembered that responsibility for borrowing, investments and risk management remains with the Council.</p>
Bribery Act	The Council is mindful of the requirements of the Bribery Act 2011 in its dealings with external providers

## TMP12: CORPORATE GOVERNANCE

The Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The Council has adopted and has implemented the key principles of the Treasury Management Code of Practice. This, together with the other arrangements detailed in the schedule below, is considered vital to the achievement of proper corporate governance in treasury management, and Director of Finance and Corporate Services will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

### Schedule

Stewardship responsibilities	The Director of Finance and Corporate Services ensures that systems exist to deliver proper financial administration and control and maintaining a framework for overseeing and reviewing the treasury management function.
List of documents to be made available for public inspection	The following documents are freely available for public inspection: <ul style="list-style-type: none"><li>• Annual Statement of Accounts</li><li>• Budget Book</li><li>• 5 Year Capital Plan</li><li>• Treasury Management Policy</li><li>• Capital Strategy</li><li>• Treasury Management Strategy</li><li>• Budget Monitoring Reports</li><li>• Annual and Mid-Year Treasury Report</li></ul>
Council's website	Financial information is additionally available on the Council's website.
Procedures for consultation with stakeholders	Members and senior officers of the Council are consulted via reports to the Scrutiny Committee (annual strategy only), Cabinet and Full Council, plus officer/member briefing sessions.

### TMP13: INVESTMENTS THAT ARE NOT PART OF TREASURY MANAGEMENT ACTIVITY

The Council recognises that investment in other financial assets and property primarily for financial return, taken for non-treasury management purposes, requires careful investment management. Such activity includes loans supporting service outcomes, investments in subsidiaries, and investment property portfolios.

The Council will ensure that all its investments are covered in the Capital Strategy, investment strategy or equivalent, and will set out, where relevant, the Council’s risk appetite and specific policies and arrangements for non-treasury investments. It is recognised that the risk appetite for these activities may differ from that for treasury management.

The Council will maintain a schedule setting out a summary of existing material investment, subsidiaries, joint ventures and liabilities including financial guarantees and the organisation’s risk exposure.

The Council recognises that many of the principles underlying TMPs 1 to 12 will apply to non-treasury investments as they do to treasury investments. However, some aspects are likely to differ significantly. A published schedule has been agreed by Full Council that sets out the investment practices for non-treasury investments and this will be complied with by all officers or agencies responsible for such investments.

#### Schedule

<p>Register of non-treasury investments and financial guarantees</p>	<p>A regularly updated list of non-treasury investments, existing material investment, subsidiaries, joint ventures and liabilities and financial guarantees is maintained. An outline of such investments is in the Council’s Capital Strategy/Non-Treasury Investment Strategy and a summary is below.</p> <p>Commercial Investments (Non Treasury) made primarily for financial benefit:</p> <p>Investment in subsidiaries</p> <ul style="list-style-type: none"> <li>• Aspire (CRP) Ltd type of holding: equity, amount: £1, 100% holding</li> <li>• Aspire (CRP) Ltd type of holding: loans, amount: £54,241,00</li> </ul> <p>Parent Company guarantee</p> <ul style="list-style-type: none"> <li>• Aspire (CRP) Ltd – given to Aviva Life and Pensions as surety for the joint venture acquisition of Chesterford Research Park</li> </ul>
<p>Due diligence process</p>	<p>In May 2017 the Council, through its wholly owned subsidiary Aspire (CRP) Ltd, acquired a 50% share in Chesterford Research Park and in doing so created a joint venture partnership with Aviva Life and Pensions. Legal due diligence was undertaken by Hogan Lovells an international law firm. Land and buildings due diligence was undertaken by Cushman and Wakefield an international firm of commercial real estate brokers.</p>

Schedules maintained	<p>The published schedule is agreed by full Council and sets out the organisation's investment management practices for non-treasury investments. Schedules will be maintained for non-treasury investments covering the following (suggested by CIPFA):</p> <ul style="list-style-type: none"> <li>• Risk management including investment and risk management criteria;</li> <li>• Decision making, governance and organisation including a statement of your Council's governance requirements for decision making and arrangements to ensure proper due diligence support decision making;</li> <li>• Reporting and management information;</li> <li>• Performance measurement and management including methodology for assessing performance and success;</li> <li>• Training and qualifications including acquiring the necessary knowledge and skills for the management of non-treasury investments</li> </ul> <p>The Council has a revised Investment Strategy adopted by Full Council. This will be underpinned by an investment protocol and reporting template for future acquisitions. The Investment Steering Group will both review existing performance and future acquisitions and disposals, recommending suitable opportunities to Cabinet for approval. The performance of the commercial portfolio and the loans to the Aspire companies are reported annually to the audit committee. Officers directly involved in asset management are undertaking the CIPFA Commercial Mini MBA qualification.</p>
1. Risk Management	<p>This will primarily be the mix of the portfolio and the risk in the time taken to build the entire portfolio. Risks will remain whilst elements of the portfolio are yet to be acquired. Risks are an inherent part of the strategy protocol and associated scoring matrix. Due diligence risks are mitigated by using expert lawyers and land agents.</p>
Independent and expert advice	<p>Hogan Lovells will be retained for all legal due diligence. Land and property due diligence will be undertaken by specialists retained following an appointment process. The Investment Steering Group will have independent experts appointed to it. Each of the Aspire companies involved in asset acquisition will have two non-executive directors appointed.</p>
2. Decision making, governance and organisation	<p>The council has established an investment steering group (ISG) which is a working group of Cabinet, to evaluate and recommend to Cabinet potential new investments. The ISG will also oversee performance of the existing portfolio of commercial investments and loans. In addition to elected members, the ISG will have a number of independent people with experience in commercial investments, as non-voting members, providing additional guidance and support to councillors and officers. An annual report on the performance of the investment portfolio will be presented to the Governance, Audit and Performance (GAP) Committee</p>

3. Performance measurement and management	<p>A number of standard KPIs will be adopted; these include</p> <table border="1" data-bbox="453 197 1382 1323"> <tr> <td data-bbox="453 197 778 353">Debt to net service expenditure (NSE) ratio</td> <td data-bbox="778 197 1382 353">Gross debt as a % of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.</td> </tr> <tr> <td data-bbox="453 353 778 510">Commercial income to NSE ratio</td> <td data-bbox="778 353 1382 510">Dependence on non-fees and charges income to deliver core services. Fees and charges should be netted off gross service expenditure to calculate NSE.</td> </tr> <tr> <td data-bbox="453 510 778 633">Investment cover ratio</td> <td data-bbox="778 510 1382 633">The total net income from property investments, compared to the interest expense.</td> </tr> <tr> <td data-bbox="453 633 778 719">Loan to value ratio</td> <td data-bbox="778 633 1382 719">The amount of debt compared to the total asset value</td> </tr> <tr> <td data-bbox="453 719 778 842">Target income returns</td> <td data-bbox="778 719 1382 842">Net revenue income compared to equity. This is a measure of achievement of the portfolio of properties.</td> </tr> <tr> <td data-bbox="453 842 778 927">Benchmarking of returns</td> <td data-bbox="778 842 1382 927">As a measure against other investments and against other council's property portfolio's.</td> </tr> <tr> <td data-bbox="453 927 778 1050">Gross and net income</td> <td data-bbox="778 927 1382 1050">The income received from the investment portfolio at a gross level and net level (less costs) over time.</td> </tr> <tr> <td data-bbox="453 1050 778 1173">Operating Costs</td> <td data-bbox="778 1050 1382 1173">The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.</td> </tr> <tr> <td data-bbox="453 1173 778 1323">Vacancy levels and Tenant exposures for non-financial investments</td> <td data-bbox="778 1173 1382 1323">Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.</td> </tr> </table>	Debt to net service expenditure (NSE) ratio	Gross debt as a % of net service expenditure, where net service expenditure is a proxy for the size and financial strength of a local authority.	Commercial income to NSE ratio	Dependence on non-fees and charges income to deliver core services. Fees and charges should be netted off gross service expenditure to calculate NSE.	Investment cover ratio	The total net income from property investments, compared to the interest expense.	Loan to value ratio	The amount of debt compared to the total asset value	Target income returns	Net revenue income compared to equity. This is a measure of achievement of the portfolio of properties.	Benchmarking of returns	As a measure against other investments and against other council's property portfolio's.	Gross and net income	The income received from the investment portfolio at a gross level and net level (less costs) over time.	Operating Costs	The trend in operating costs of the non-financial investment portfolio over time, as the portfolio of non-financial investments expands.	Vacancy levels and Tenant exposures for non-financial investments	Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.
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Vacancy levels and Tenant exposures for non-financial investments	Monitoring vacancy levels (voids) ensure the property portfolio is being managed (including marketing and tenant relations) to ensure the portfolio is productive as possible.																		
4. Reporting and management information	Quarterly to the Investment Steering Group and annually to the relevant audit committees																		
5. Training and qualifications	Officers directly involved in asset management are undertaking the CIPFA Commercial Mini MBA qualification																		

**Notes:**

Items the Council would maintain at operational level in an 'Operations Manual' as referred to in this template:

- The Council's Credit Criteria
- Current Lending List
- Business Reserve Accounts / Money Market Funds
- Counterparties with whom the Council deals direct
- Dealing checklist
- Deal ticket proforma
- Format of the Council's Standard Settlement Instructions form
- Settlement Procedures
- Procedure Notes for the Council's on-line banking system
- Procedure Notes for the Council's treasury management system
- Procedure Notes for dealing online with counterparties
- Procedure for dealing with requests for change of banking/payment details

# Agenda Item 8

**Committee:** Governance, Audit and Performance Committee

**Date:**

Tuesday, 24 March 2020

**Title:** Procurement Update 2019/20

**Report Author:** Cristine Oakey, Procurement Manager  
coakey@uttlesford.gov.uk

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## Summary

1. This is a regular update to Members on procurement activity, the aim of which is to assist Members understanding of the Council's procurement arrangements.
2. This report provides an update on procurement activity from April 2019 to March 2020, being the current financial year.
3. The report provides information on the two specific areas requested, along with a briefing note on plans for a revised approach to The Procurement Strategy.
  - A) Contracts awarded over the value at which they are required to be tendered (currently £50,000) and
  - B) Instances where exemptions to Contracts Procedure Rules have been requested

## Recommendations

4. The Committee notes the content of the report.

## Financial Implications

5. There are no financial implications associated with this report.

## Background Papers

6. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.
  - Procurement Service Plan 2019/20

## Impact

7. There are no adverse impacts identified as a result of this report

Communication/Consultation	None
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

## Situation

8. Procurement has been completed on eleven contracts over the value at which they are required to be tendered (currently £50,000) during the period under review.
- a. Four contracts have been tendered in accordance with Contracts Procedure Rules and in the case of Insurance being over the threshold for procurement in accordance the EU Directive, The Public Contracts Regulations 2015 (as amended)

### Extension to Property at Tukes Way, Saffron Walden

This contract was advertised and sealed bid tenders invited using an open procedure. Given the relatively straight forward nature of the build, the contract was to be awarded on the basis of best price.

Fifteen expressions of interest were received with eleven companies confirming their intention to tender. Unfortunately only three tenders were received ranging from just over £140,000 to £175,000.

Following due diligence, SMT Builders, the best price received, were appointed to carry out the works.

### Insurance

This contract was tendered under the Crown Commercial Services framework agreement after considering various options including the Mutual being established by the Local Government Association.

The contract was broken into “lots”– for example Property, Liability, Fine Arts - with the aim of increasing competition. Market research shows that few companies are able to provide all our insurance needs and it was expected that more providers would be interested if they could simply bid for one specialist area (motor insurance for example) rather than in the whole portfolio.

Tender documents were issued to all companies on the framework. In line with the rules of the framework, the contract(s) would be awarded on the basis of 30% quality and 70% price.

Six offers were received and were evaluated with input from our brokers, Marsh Ltd.

Two contracts have been awarded for three years with an option for two additional years. The bulk of the contract has been awarded to Zurich Municipal Insurance with Fine Arts (for the Museum) being awarded to AXA.

At the time of the tender, the insurance market was fairly competitive with new providers and the LGA mutual influencing prices offered. We have achieved savings of almost £150,000 in the first year as a result of exposing the requirement to competition with no loss of or detriment in the cover when compared to existing provision. Profited over the life of the contract that is a potential £750,000 saving.

In addition, we secured a conditional rate guarantee on Property and Motor renewals. This means that, provided the combined loss ratio for these covers does not exceed 60% each policy year, they provide an absolute guarantee to renew at expiring rates irrespective of other pressures or factors that may exist in the market.

#### Design & Construction of 16 dwellings at The Moors, Little Dunmow

This contract was advertised and sealed bid tenders invited using an open procedure. The contract was to be awarded on the basis of best value, with a weighting of 70% in favour of price and 30% in favour of quality.

Sixteen expressions of interest were received with ten companies submitting a tender.

Following due diligence, DCH Construction were appointed to carry out the works having scored most highly following the evaluation. The contract is worth approximately £2.25m. The contractor is currently on site and should take just over a year to complete.

#### Preparation of a Community Infrastructure Levy (CIL) Charging Schedule and support for the Independent Examination and Adoption of CIL

This contract was advertised and sealed bid tenders invited using an open procedure. The contract was to be awarded on the basis of best value, with a weighting of 30% in favour of price and 70% in favour of quality

Fifteen expressions of interest were received with five companies submitting a tender.

Following due diligence, Dixon Searle Partnership were appointed to carry out the works having scored most highly following the evaluation. The contract is worth approximately £21,000 and should take a year to complete.

- b. The other seven contracts were awarded following approval of exemption requests the details for which are included in Appendix A.
  - i. Saffron Walden Castle – Phase III
  - ii. Second hand vehicle (Street Sweeper)
  - iii. Second hand vehicle (Tipper Lorry)
  - iv. Painting, Decorating & Associated Repairs
  - v. ICT – Software Licence/Maintenance & Support Contract for Fire Wall
  - vi. ICT – Software for Electronic Payments (extension of contract)
  - vii. Responsive Repairs

9. Eight requests for exemptions to Contracts Procedure Rules have been made during the period of this report.

- Appendix A details those with a contract value over £50,000
- Appendix B details those with a contract value between £10,000 and £50,000

## Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
That the Council does not ensure value for money through its procurement activities	1 – The Council has robust Contract Procedure Rules in place	2 – There may be some risk that if procurement rules are not followed the Council may not realise best value through its contracts	Current structures and procedures in place give sound reassurance the Council is receiving value for money through its contracts.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project

## Appendix A

### Contracts awarded under an exemption to Contracts Procedure Rules – contract value over £50,000

Client Dept.	Details	Value of Contract	Expiry Date	Contract Awarded to	Justification
Asset Management	Works at Saffron Walden Castle (Phase III)	£88,316	31/03/2020	Bakers of Danbury	An exemption was granted to the requirement to tender the contract to protect warranties provided by this contractor during Phases I & II, to ensure aesthetic continuity of the works and to meet deadlines for third party grant funding
Street Services	Second Hand Vehicle (Street Sweeper)	£97,861	Not applicable	Aebi Schmidt UK Ltd	An exemption was granted to the requirement to tender the contract as the market for second hand vehicles rapidly changes, suppliers are unlikely to engage and evaluating “like-for-like” vehicles is not considered to be possible
Street Services	Second Hand Vehicle (Tipper Lorry)	£57,000	Not applicable	Hopkinsons Fairdeals	

Appendix A continued...

Client Dept.	Details	Value of Contract	Expiry Date	Contract Awarded to	Justification
Property Services	External and Internal Redecoration with Pre-paint repairs	£300,000	30/03/2020	Mitie Property Services	An exemption was granted to the requirement to tender the contract and to negotiate a one year agreement with the incumbent provider. Whilst procurement of a successor contract was in progress, there were delays in the award of the framework arrangement that would have significantly impacted the ability to carry out external works during the time frame available. The negotiation has resulted in prices remaining fixed to previous levels, offsetting inflationary increases.
ICT	Software for Firewall Licence and Maintenance & Support Contract	£63,999	01/05/2020	Bytes Security Partnership Ltd	An exemption was granted to the requirement for tendering the contract and instead three quotations were obtained. Software is sold via an "approved re-seller" network granted by the manufacturer.

Appendix A continued...

Client Dept.	Details	Value of Contract	Expiry Date	Contract Awarded to	Justification
ICT	Software for Electronic Payments Licence and Maintenance & Support Contract (extension of existing contract)	£482,382	30/06/2027	Civica UK Ltd	<p>An exemption was granted to allow for renegotiation of the contract with the incumbent provider on the grounds of intellectual property rights.</p> <p>The contract required a variation to implement the Payment Services Directive which was a significant cost and the contract had only two years left to run. By renegotiating the contract to extend it by a further five years the capital outlay could be spread over a longer term. In addition to which prices have been fixed, resulting in cost avoidance of almost £24,500</p>

Appendix A continued...

Client Dept.	Details	Value of Contract	Expiry Date	Contract Awarded to	Justification
Property Services	Responsive Repairs for Housing	£700,000	10/01/2020	Porterhouse Building and Fire Solutions Limited	The incumbent provider – Roalco Limited – under contract until 31 March 2020 when into Administration on 10 July 2019. As Landlords we have a duty of care to maintain properties in a safe manner and could not be without this service provision. Under reasons of extreme urgency an interim contract was awarded allowing time for the procurement of a successor contract.

**Appendix B**

**Contracts awarded under an exemption to Contracts Procedure Rules – contract value between £10,000 - £50,000**

<b>Client Dept.</b>	<b>Details</b>	<b>Value of Contract</b>	<b>Expiry Date</b>	<b>Contract Awarded to</b>	<b>Justification</b>
Human Resources	HR Consultancy and Support	£25,000	31/03/2020	Essex County Council	An extension to an existing contract for one year as the Council intends to bring the service in-house.

# Agenda Item 9

**Committee:** Governance, Audit and Performance Committee

**Date:**

Tuesday, 24 March 2020

**Title:** Internal Audit Progress Report, 16 December 2019 to 29 February 2020

**Report Author:** Sheila Bronson, Audit Manager  
sbronson@uttlesford.gov.uk

## Summary

1. To report to the Governance, Audit & Performance Committee details of work undertaken by Internal Audit since the last report to the Committee on 13 January 2020 and to provide an update on implemented and outstanding internal audit recommendations.

## Recommendations

2. That the Internal Audit Progress Report 16 December 2019 to 29 February 2020 be noted.

## Financial Implications

3. None. There are no costs associated with the recommendations.

## Background Papers

4. None.

## Impact

- 5.

Communication/Consultation	The Internal Audit Work Programme 2019/20 referred to in this report has been approved by the Corporate Management Team and endorsed by the Governance, Audit & Performance Committee.
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none

Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

## Situation

6. The purpose of this report is to provide management and members with details of:
- i) Work completed by Internal Audit since the last report to the Governance, Audit & Performance Committee at its meeting 13 January 2020;
  - ii) Performance against the Internal Audit Work Programme 2019/20;
  - iii) Risk level 3 and 4 highest priority recommendations implemented since the last report to Members;
  - iv) Any recommendations not implemented within the agreed timescale.

## Work Undertaken by Internal Audit 16 December 2019 to 29 February 2020

7. A Since the last report to the Committee:
- i) Between 16 December 2019 and 29 February 2020, 7 audits from the 2019/20 audit programme have been completed and final reports issued with a total of 17 recommendations being made;
  - ii) All final audit reports issued have been copied to Governance, Audit & Performance Committee Members and are available on the Council's Intranet. A summary of final reports issued is presented at Appendix A (i);
  - iii) Between 16 December 2019 and 29 February 2020, work has started on the remaining 10 audits from the Internal Audit Work Programme 2019/20. Progress on the 2019/20 programme is presented at Appendix A (ii).

## Recommendations Implemented 16 December 2019 to 29 February 2020

8. Three level 3 or level 4 recommendations were implemented during this period; a summary is presented at Appendix A (iii).

## Recommendations Not Implemented by due date at 29 February 2020

9. As of 29 February 2020 there are no recommendations reported in Pentana as not being implemented in accordance with their agreed due dates.

**Risk Analysis**

10.

Risk	Likelihood	Impact	Mitigating actions
The issues highlighted in the internal audit reports are not acted upon	1 Action is already being taken towards the implementation of the recommendations contained in the reports	2 There would be varying levels of impact from non-implementation of recommendations given the significance of the control risks identified	Internal audit reports are followed up to ensure compliance.  There are escalation procedures in the event of non-compliance

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.

**FINAL & REPORTS ISSUED 16 December 2019 to 29 February 2020**

ref	2019/20 INTERNAL AUDIT WORK PROGRAMME	Guide Days	Risk	Final Report Issued	Days Taken	Recommendations Made					Audit Opinion
						No.	Risk Level				
						total	4	3	2	1	
01KF	Business Rates	10	4	05/02/20	10.06	0	0	0	0	0	SUBSTANTIAL
05KF	Treasury Management	10	4	23/01/20	7.91	1	0	0	1	0	SUBSTANTIAL
10C	Equality & Diversity	5	3	28/02/20	3.02	9	0	7	2	0	LITTLE
22O	Environmental Health - Enforcement	5	2	28/02/20	2.40	1	0	1	0	0	SATISFACTORY
24O	Property Services - Right to Buy	10	3	30/01/20	4.38	2	0	0	2	0	SUBSTANTIAL
28O	Development Management	10	4	27/02/20	13.51	4	0	2	2	0	SATISFACTORY
						<b>17</b>	<b>0</b>	<b>10</b>	<b>7</b>	<b>0</b>	

**PROGRESS ON THE AUDIT PROGRAMME 2019/20**

ref	Audit	2019/20 days	IA Risk 2019/20	qtr	Started	Draft	Final	Days Taken	Status
01KF	Business Rates	10	4	3	03/12/19	05/02/20	05/02/20	10.06	FINAL
02KF	Grants & External Funding received	10	4	2	17/07/19	20/09/19	20/09/19	7.79	FINAL
03KF	Insurance	10	4	4	10/01/20			1.64	testing
04KF	Recovery	10	4	2	17/07/19	30/09/19	09/12/19	20.55	FINAL
05KF	Treasury Management	10	4	3	26/11/19	13/01/20	23/01/20	7.91	FINAL
06KF	Asset Management	10	4	2	26/06/19	31/07/19	02/08/19	9.86	FINAL
07KF	HR & Payroll (combined)	10	3	2	24/07/19	17/12/19		13.90	draft
08C	EU Exit	5	4	2	03/07/19	29/10/19	08/11/19	8.56	FINAL
09C	Consultants and Agency Staff	10	3	2	10/09/19	06/01/20		18.18	draft
10C	Equality & Diversity	5	3	3	15/11/19	31/01/20	28/02/20	3.02	FINAL
11C	Health & Safety	5	3	3	16/10/19	02/03/20		3.93	draft
12C	Information Governance	10	3	2	21/10/19	02/03/20		13.47	draft
13O	Leisure PFI	5	2	3	25/10/19	20/11/19	03/12/19	4.67	FINAL
14O	Museum	10	3	2	12/08/19	08/01/20		16.55	draft
15O	Domestic Waste & Recycling	10	3	3	10/01/20			4.46	testing
16O	Members' Allowances & Expenses	10	3	3	10/01/20			2.13	planning
17O	Business Continuity & Emergency Planning	10	3	2	24/07/19	15/10/19	19/11/19	10.30	FINAL
18O	Environmental Health - Commercial Food Safety	postponed to 2020/21 due to EH Resource issues							
19O	Emergency Planning - combined with 17O	0	0	0	03/07/19	15/10/19	15/10/19	6.96	FINAL
20O	Environmental Health - Imported Food Controls	10	4	2	12/02/20			2.17	planning
21O	Environmental Health - Licensing	10	4	4	15/11/19	20/01/19	28/02/20	2.40	FINAL
22O	Environmental Health - Enforcement	5	2	3	10/01/20	27/02/20		5.01	draft
23O	Property Services - Repairs Service	10	3	3	18/12/19	23/01/20	30/01/20	4.38	FINAL
24O	Property Services - Right to Buy	10	3	3	10/01/20	27/02/20		5.48	draft
25O	Property Services - Stock & Voids	5	3	4	10/01/20			1.22	testing
26O	Wellbeing - Allocations	10	3	3	10/01/20			1.66	testing
27O	Wellbeing - Homelessness	10	3	3	17/07/19	09/01/20	27/02/20	13.51	FINAL
28O	Development Management	10	4	2	10/01/20			6.16	planning
29O	Section 106 Obligations	10	3	3	03/07/19	15/10/19	15/10/19	6.96	FINAL
<b>TOTAL AUDIT DAYS</b>		<b>240</b>						<b>206</b>	

**LEVEL 3 AND 4 RECOMMENDATIONS IMPLEMENTED 16 December 2019 to 29 February 2020**

Code & Title	Description	Risk Level	Managed By	Due Date	Completed
1819 150 Environmental Health Enforcement 05	It is recommended that information on the website be reviewed and updated.	3	A/D Housing, Health & Communities	30/11/19	30/11/19
1920 130 Leisure - PFI 01	It is recommended that immediate action is taken to review and check for accuracy links on the council's website and to remove links to "out of date" and inaccurate information to avoid potential complaints from members of the public and risk reputational damage to the Council.  This is a re-iteration of recommendation 07 made in our 2017/18 Internal Audit Report.	3	A/D Corporate Services	31/12/19	31/12/19
1920 170 Business Continuity & Emergency Planning 03	It is recommended that: <ul style="list-style-type: none"> <li>• The Local Rest Centre Plan is completed, agreed with all relevant parties and finalised as soon as possible;</li> <li>• The Memorandum Of Understanding (MOU) template is agreed, finalised and signed by all relevant parties as soon as possible and that the MOU with Felsted School is checked to ensure that it is still correct;</li> <li>• Checks are made to establish whether accommodation options would actually be available in the event of an emergency and to consider potential contingencies;</li> <li>• Consideration is given as to whether the Council would like to confirm if the Clavering Emergency Plan has now been finalised and contact other Parishes and Town Councils in the District to enquire about their Plans.</li> </ul>	3	A/D Housing, Health & Communities	29/02/20	24/02/20

**Committee:** Governance, Audit and Performance Committee

**Date:**

Tuesday, 24 March 2020

**Title:** Internal Audit Charter 2020

**Report Author:** Sheila Bronson, Audit Manager

sbronson@uttlesford.gov.uk

## Summary

1. This report informs Members of the review and updating of the Internal Audit Charter.

## Recommendations

2. That Members approve the revised Internal Audit Charter 2020.

## Financial Implications

3. None. There are no costs associated with the recommendations

## Background Papers

4. None.

## Impact

- 5.

Communication/Consultation	The Internal Audit Charter 2020 has been approved by the Council's Corporate Management Team
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

**Situation**

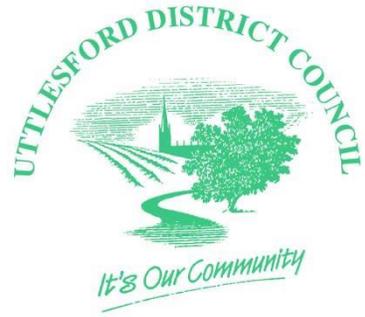
- 6. With effect from 1 April 2013, the work of Uttlesford District Council’s (UDC) Internal Audit is governed by the UK Public Sector Internal Audit Standards (PSIAS) which have replaced the CIPFA Code of Practice for Internal Audit in the UK. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:
  - Definition of Internal Auditing;
  - Code of Ethics, and
  - International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary)
- 7. The PSIAS are mandatory for all internal auditors working in the UK public sector. The PSIAS were update in February 2019.
- 8. The PSIAS require an Internal Audit Charter to be periodically reviewed and presented to senior management and the board for approval.
- 9. The Internal Audit Charter (March 2020) has replaced the Internal Audit Charter (November 2018), revisions are in paragraphs 4.6 to 4.8 and reflect the adoption of new Internal Audit recommendation Risk Level definitions and Assurance Opinion Criteria from 01 April 2020.
- 10. The Internal Audit Charter 2020 is presented to this Committee for approval.

**Risk Analysis**

11.

Risk	Likelihood	Impact	Mitigating actions
Adverse External comment if the Internal Audit Charter does not comply with the PSIAS.	1 Internal Audit function is an integral part of the Council	2 Statutory requirement, adverse External Auditor Report	Regular review of Charter

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.



# **Internal Audit CHARTER**

**March 2020**

# **INTERNAL AUDIT CHARTER**

## **CONTENTS**

- 1. Introduction**
- 2. Aims & Objectives**
- 3. Audit Planning**
- 4. Basis of Forming and Evidencing the Audit Opinion**
- 5. Outcomes**
- 6. Internal Audit Team**
- 7. Performance Management**
- 8. Governance and Strategic Framework**
- 9. Review of Effectiveness of Internal Audit**

## **Appendices**

- A. Internal Audit Reporting Protocols**
- B. Internal Audit Assurance Opinion Criteria and Risk Level Definitions**

# 1 Introduction

## Background

1.1 With effect from 1 April 2013, the work of Uttlesford District Council's (UDC) Internal Audit is governed by the UK Public Sector Internal Audit Standards (PSIAS) which have replaced the CIPFA Code of Practice for Internal Audit in the UK. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

Additional requirements and interpretations for the UK public sector have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF. The PSIAS are mandatory for all internal auditors working in the UK public sector. The PSIAS were updated in February 2019.

1.2 Internal Audit is defined in the PSIAS as follows:

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

1.3 The PSIAS require an Internal Audit Charter to be approved by the Board in order to define Internal Audit's purpose, authority and responsibility. This Charter establishes Internal Audit's position within the council and reporting lines, authorises access to records, personnel and physical property relevant to the performance of audit work, and defines the scope of Internal Audit activities.

1.4 The PSIAS require an Internal Audit Charter to be periodically reviewed and presented to senior management and the board for approval. The Internal Audit Charter will be reviewed and updated every two years or earlier as required.

## Legislation and Guidance

1.5 Section 5 (1) of the Accounts and Audit Regulations 2015 states that “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. The UDC Internal Audit discharges the above responsibilities by conducting an objective and independent appraisal of all of the council's activities, financial and otherwise.

1.6 The practice of Internal Audit is governed by the PSIAS. Internal Audit is also governed by the policies, procedures, rules and regulations established within UDC. These include schemes of delegation; financial regulations; conditions of service; counter fraud and corruption policies; procedures and HR policies. Internal Audit takes due

cognisance of external bodies, including the Chartered Institute of Internal Auditors (CIIA), CIPFA, external audit, local government bodies, together with all legislation affecting the service provided by Internal Audit.

- 1.7 The PSIAS contain a Code of Ethics which is mandatory for all internal auditors in the public sector. In addition, individual staff within the Internal Audit team are also required to adhere to the Codes of Ethics of their professional bodies where appropriate. Internal Audit staff will be reminded of the need to comply with the Code on an annual basis.

### **Definitions**

- 1.8 The PSIAS require that the Internal Audit Charter defines the terms “Board” and “Senior Management” in relation to the work of Internal Audit. For the purposes of UDC Internal Audit work:

UDC has designated its **Governance, Audit & Performance Committee** as the **Board** for the purposes of UK Public Sector Internal Audit Standards (PSIAS) and delegated all the functions of the Board under those Standards to the Committee.

**Senior Management** is defined as the members of the **Corporate Management Team (CMT)** i.e. the Chief Executive, Directors and Assistant Directors.

- 1.9 The PSIAS also refer to the **Chief Audit Executive** which in UDC is deemed to be the **Internal Audit Manager**.
- 1.10 The Internal Audit Manager is responsible for the effective review of all aspects of governance, risk and internal control throughout the full range of the Authority’s activities. However, the existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

### **Customers**

- 1.11 The customers of Internal Audit effectively comprise all those who expect assurance to be provided on the adequacy of the control environment and the processes which support the protection of public funds. These customers include:

- The residents of Uttlesford District
- Other UDC Service Users;
- Local Tax Payers;
- Central Government;
- Members and Cabinet;
- Head of Paid Service, Section 151 Officer and Monitoring Officer;
- Senior Management and Staff;

- Governance, Audit & Performance Committee;
- Partners;
- External Auditor.

## 2. Aims and Objectives

### Principal Objectives

2.1 The principal objectives of UDC Internal Audit are to:

- Deliver an Internal Audit Annual Report and Opinion that can be used by the council to inform its Annual Governance Statement (AGS);
- Independently review and appraise systems of control throughout the council;
- Ascertain the extent of compliance with procedures, policies, regulations and legislation;
- Provide reassurance to management that their agreed policies are being carried out effectively;
- Facilitate good practice in managing risks;
- Provide advice and input into any significant system or procedural developments;
- Recommend improvements in control, performance and productivity in achieving corporate objectives;
- Review and challenge the economy, efficiency and effectiveness of processes and systems within the council;
- Work in liaison with the external auditors;
- Review controls to prevent and detect fraud;
- Lead and promote the counter fraud culture within the council;
- Comply with the PSIAS and other relevant guidelines and professional practice.

2.2 Internal Audit is neither an extension of nor a substitute for good management. Although Internal Audit can advise management on risk and control issues, it is the duty of management to operate adequate systems of internal control and risk management.

2.3 Internal Audit will carry out a continuous audit of all of the council's services by objectively examining, evaluating and reporting upon the adequacy of risk management

and internal control. In doing so ensuring there is proper, economic, efficient and effective use of council resources.

- 2.4 The annual Internal Audit Opinion focuses on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. This is the 'assurance' role for Internal Audit.
- 2.5 Internal Audit also provides an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of service management. The aim of the consultancy service is to help line management improve the council's risk management, governance and internal control. This is the 'consultancy' role for Internal Audit and contributes towards the overall opinion. Such consultancy work will only be undertaken where resources permit without impacting on the annual assurance process. In line with the PSIAS, approval will be sought from the Governance, Audit & Performance Committee before any significant unplanned consultancy work is accepted.

### **Achieving our Objectives**

- 2.6 To meet the above objectives, the UDC Internal Audit function has been established as an independent team. For day to day the Internal Audit Manager reports to the Monitoring Officer; however direct reporting lines for the Internal Audit Manager are also established with the Chief Executive, the Section 151 Officer and the Chair of the Governance, Audit & Performance Committee as considered necessary. The Internal Audit Manager also has unrestricted access to Members (including the Leader of the Council), Directors, Assistant Directors and all Authority officers.
- 2.7 The Internal Audit Manager is also responsible for managing and co-ordinating the council's involvement in the Cabinet Office's National Fraud Initiative (NFI).
- 2.8 Internal Audit work is undertaken in accordance with the annual Internal Audit Work Programme which sets out the proposed programme of audit work for each financial year. This Internal Audit Work Programme is approved by CMT and the Governance, Audit & Performance Committee each year and reported to the Committee in summary via progress reports at each ordinary meeting.

### **Independence, Access and Remit**

- 2.9 Internal Audit is independent of all the activities of the council to ensure it is able to appraise the council's governance, risks and internal control systems in the impartial and unbiased manner that is essential to the proper conduct of audits.
- 2.10 To ensure this independence and in order to undertake its function effectively, Internal Audit has unrestricted access to all of the council's staff; records (whether manual or computerised); cash and property; and may enter UDC property or land to obtain any information or explanations required.
- 2.11 Such access is granted on demand, need not be subject to prior notice and also extends to partner organisations working on behalf of UDC where this has been agreed within relevant contractual arrangements in order to review, appraise and report on:

- The adequacy and effectiveness of the systems of financial, operational and management controls and as they are practiced in relation to the risks to be addressed;
- The extent to which the assets and interests are acquired economically, used efficiently, accounted for and are safeguarded from loss arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity plans exist;
- The suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify, measure, classify and report such information;
- The integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss;
- The follow up action taken to remedy weaknesses identified by Internal Audit;
- The operation of the council's Corporate Governance arrangements.

2.12 To promote independence and objectivity, Internal Audit neither 'owns' a system under audit nor is given any operational responsibilities within the line management structure or responsibility for any aspect of work subject to audit.

2.13 Where Internal Audit staff have a perceived or real conflict of interest in undertaking a piece of work; this will be managed through the Internal Audit management process. Staff are required to inform the Internal Audit Manager or the Monitoring Officer of any relationships or financial interests in any council activity subject to audit. All Internal Audit staff are required to make an Annual Declaration of Interests and Acknowledgement of their Ethical responsibilities.

2.14 Within the context of the above, the remit of Internal Audit at a corporate level will include audits in the following areas:

- Key Financial systems – covering all the key financial systems;
- Major projects and procurement – contracts and procurement processes, commissioning, project management, post implementation appraisals;
- Asset management – effective management of properties and property related risks;
- Corporate Governance – Internal Audit will make an independent assessment of the assurances being provided from within the governance structures established within UDC and co-ordinate the preparation of the council's Annual Governance Statement;

- Performance Management – evaluation of the processes by which the council assesses, reports monitors and manages its performance;
- Risk Management – evaluation of processes by which the council assesses, reports, monitors and manages its risk;
- Information Management – including data protection, freedom of information, records management and information security;
- Information and Communications Technology – including information technology (IT) strategy and physical IT controls;
- Partnership working – both new and existing arrangements, focusing on governance, controls, risk management and performance management;
- Equality & Diversity – evaluation of the council’s strategies, policies procedures and systems and its compliance with Equality and Human Rights regulations;
- Business Continuity & Emergency Planning – at corporate & service level;
- Health and safety – central and service based risks.

### 3. Audit Planning

3.1 The PSIAS require that there must be a risk-based internal audit plan that takes into account the requirement to produce an annual internal audit opinion and assurance framework. It must incorporate in or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

#### **Internal Audit Strategic Programme**

3.2 The Internal Audit Strategic Programme details all potential audit areas at both corporate and service area levels within UDC and forms the starting point for the annual audit planning process.

3.3 All areas identified in the Strategic Programme are subject to an audit needs risk assessment to identify their risk level based on a number of risk factors including materiality, third party sensitivity and potential fraud risk. This will influence the frequency of audits and the estimated resource requirements to ensure that all potential audit areas will be audited.

3.4 The Internal Audit Strategic Programme is reviewed annually in conjunction with CMT to ensure that it remains up to date and continues to take account of emerging risks and service developments and that the focus of Internal Audit work remains relevant to the council’s Plan and current priorities.

### **Annual Internal Audit Work Programme**

- 3.5 The annual Internal Audit Work Programme sets out the audit work programme at the beginning of each financial year. It is a rolling programme of planned audit work that is expected to be undertaken during the financial year and is subject to regular review and updating at strategic points throughout the year.
- 3.6 The Internal Audit Work Programme is risk based as far as is possible, the auditing priorities are determined from a number of sources including:
- The corporate, strategic and directorate risk registers, aligned with the corporate objectives set out in the council's Corporate Plan, the Corporate Plan Delivery Plan and Service Plans to identify areas of high strategic and operational risk;
  - The Internal Audit Strategic Programme identifying audit areas of highest risk, the date the audit review was last undertaken and the frequency thereof;
  - Any other areas considered high risk by the Internal Audit Manager;
  - Specifically requested Directorate & Service high risk areas or services following consultation with the CMT;
  - Audits carried forward from the previous years' Audit Programme and any overdue audits from the Strategic Programme;
  - Weaknesses identified in the Annual Governance Statement;
  - Issues raised by the Governance, Audit & Performance Committee;
  - Audit resource availability.
- 3.7 In order to preserve the independence of Internal Audit, the final risk assessment and selection of areas for inclusion in the Internal Audit Work Programme rests with the Internal Audit Manager.
- 3.8 Further details on the production of the Internal Audit Strategic and Work Programmes are given in the annual Internal Audit Strategy.

### **Other Information Sources**

- 3.9 Awareness of national issues is maintained through subscription to internet resources such as CIPFA's Technical Information Service. In addition there is liaison with external audit and networking with other local authority audit teams specifically through the Essex, the London and the Midlands Audit Groups. These audit groups have regular meetings during the year and active e-mailing networks to discuss topical issues, emerging risks and progress specific initiatives and sharing of audit planning methodology and points of practice.

### **Reviewing the Programme**

3.10 The initial Internal Audit Work Programme for the upcoming financial year is approved by CMT and the Governance, Audit & Performance Committee. Details of reviews and updating of the Programme are included in the Internal Audit Progress Reports to the Governance, Audit & Performance Committee.

3.11 The Internal Audit Work Programme is subject to regular review and updating at strategic points throughout the year generally:

- March / April to determine the proposed audit work for quarters 1 & 2 of the new financial year;
- June / July to determine proposed audit work for quarters 2 and 3 of the financial year;
- September / October to determine proposed audit work for quarters 3 and 4 of the financial year;
- At any other relevant point during the year.

#### **Non-specific Audit Time**

3.12 The Internal Audit Work Programme includes non-specific audit time allocated for:

- Residual Audit Work – to ensure timely completion of any residual previous year’s audits;
- Follow-up Work – to ensure that recommendations have been implemented;
- Irregularity Provision – to include the provision of an independent investigation service on internal matters that require investigative and evidence gathering skills. Also to review controls post investigation as part of the core audit function;
- Consultancy and General Advice - to allow for changes in priorities and issues that arise during the year; extensions to reviews where further testing may be required because of control weaknesses; advice on general control issues and Financial Regulation requests etc.;
- Committee and Member related work – to include Committee Report preparation, liaison meetings with Governance, Audit & Performance Committee Chair and other Members and dealing with Member queries;
- Contribution to Corporate Management – to include the Internal Auditor time spent on corporate projects and working groups;
- Fraud Related work – to include National Fraud Initiative (NFI) Key Contact responsibilities and anti-fraud and corruption awareness work.

## 4. Basis of Forming and Evidencing the Audit Opinion

### **Audit Approach**

- 4.1 Internal Audit is responsible for providing an annual opinion on the internal control environment for the Council as a whole. A risk based approach is taken with individual audit reviews embracing operational and management controls and the wider business risks. This allows an opinion to be expressed on risk identification & exposure and the adequacy of systems in place to manage those risks.

### **Key Financial and Other audit work**

- 4.2 The annual Internal Audit Work Programme governs each year's activity and, to enable the work to be planned and delivered effectively, audit coverage is prioritised and categorised between

- Key Financial
- Corporate
- Other

- 4.3 Key Financial audit work relates to those areas where Internal Audit review or support will generally add greatest value to the organisation. The audits within this category will be given highest priority in the event of competing demands for Internal Audit resources.

- 4.4 Corporate audit work relates to those areas where the overall responsibility lies at Corporate rather than service level

- 4.5 Other audit work complements the work from the Key Financial and Corporate programmes and ensures an adequate level of Internal Audit review each year throughout the council's services. Whilst the individual reviews are initially agreed with the service Directors and Assistant Directors at the start of each year, it is also accepted that should the need arise audit work may be directed towards other emerging risks or investigations as required. Overall levels of input will remain broadly as agreed which means that the levels of assurance work are aligned with the initial levels of risk identified. This approach enables a wide range of coverage for a formal audit opinion to be formed.

### **Recommendation Risk Level Definitions and Assurance Opinion Criteria**

- 4.6 Recommendations are categorised as High, Medium or Low risk; each final report issued gives our opinion on the level of assurance of the internal controls operating within the area being audited, this opinion will be Substantial, Adequate or Limited.
- 4.7 The recommendation risk level definitions used in audit reports are aligned to the Council's Risk Management Policy

Risk Level	Risk Score	Description
<b>High</b>	12,16	Matters that are considered <b>FUNDEMENTAL</b> that require immediate attention and priority action.
<b>Medium</b>	4,6,8,9	Matters that are considered <b>SIGNIFICANT</b> that should be addressed within six months.
<b>Low</b>	2,3	Matters that are considered <b>IMPORTANT</b> that should be addressed within twelve months.
	1	Low impact / likelihood matters that do not warrant a recommendation; will be discussed with auditees during closing meetings.

4.8 The opinion will be based on the following criteria:

Opinion	Definition	Maximum recommendations overall
<b>Substantial Assurance</b>	There is a sound system of internal control designed to achieve the objectives of the system / process and manage the risks to achieving those objectives. Generally only LOW risk recommendations, any MEDIUM risk recommendations relating to part of the system / process would need to be mitigated by significant strengths elsewhere.	Maximum of 4
<b>Adequate Assurance</b>	There is basically a sound system of control and satisfactory management of risk; there are moderate recommendation indicating weaknesses but these do not undermine the system's overall integrity. Generally MEDIUM and LOW risk recommendations. Any HIGH risk recommendations will prevent this assessment.	Maximum of 8
<b>Limited Assurance</b>	There are significant weaknesses in key areas in the systems of control which put the system / process objectives at risk. There are HIGH RISK recommendations or a number of MEDIUM risk recommendations indicating significant failings.	If any HIGH risk or total over 8

### Audit Reporting

4.9 At the completion of each audit a report is produced for management with recommendations for improvement where considered appropriate; such recommendations are agreed with management together with accountability for action and timescales for completion. The Internal Audit Reporting Protocols are presented in Appendix A.

### Monitoring

4.10 The progress of the Internal Audit Work Programme is monitored on an on-going basis through:

- Monthly meetings between the Internal Audit Manager and the Monitoring Officer;
- Periodic meetings with CMT;
- Internal Audit Progress Reports to the Governance, Audit & Performance Committee.

This ensures that audit coverage will be sufficient to ensure an overall opinion can be given on the control environment.

### **Recommendations**

- 4.11 All audit recommendations are monitored by Internal Audit using Pentana which records all recommendations made and their status at any given time. Pentana also sends automated trigger e-mails to managers as a management action approaches its implementation date. Audit recommendations are followed up on an on-going basis with status reports included in the regular Internal Audit reports prepared for the Governance, Audit & Performance Committee, specifically to highlight any significant actions which have not been completed within agreed timescales. Audit recommendations are also subject to follow up as part of a rolling programme of review and as a matter of course recommendations made in a previous audit are followed up at the next audit.

### **Audit Opinion**

- 4.10 The annual assessment of the council's overall internal control environment is based on the collective view of all the opinions and outcomes of all audit work undertaken during the course of each year. A full summary is included in the Internal Audit Annual Report and Opinion presented to the Governance, Audit & Performance Committee. The annual opinion then forms part of the review of the effectiveness of the Council's governance framework and is included in the Annual Governance Statement.

### **External Auditor**

- 4.11 In the performance of their work the External Auditor expects to be able to review the Internal Audit work on key financial systems and its assessment of system controls. Internal Audit aims to maintain a good working relationship with the external auditors, and expects to hold liaison meetings between the Internal and External Audit managers.

## **5. Outcomes**

- 5.1 The main outcomes from the work of Internal Audit are:

- The delivery of the annual Internal Audit Work Programme, taking into account necessary changes for unplanned work and revised priorities in the context of new emerging risks and requests for investigations into specific issues;
- The issue of audit reports at the conclusion of each audit;
- The follow up of progress on implementation of agreed audit recommendations;
- The provision of regular reports to the Governance, Audit & Performance Committee summarising the audit work completed since the previous meeting and the key issues and conclusions derived from that work in terms of the control environment and management of risks;
- The provision of an Internal Audit Annual Report and Opinion on the effectiveness of the overall control environment presented to the Governance, Audit & Performance Committee which will also be included in the Annual

Governance Statement which accompanies the Annual Statement of Accounts for the Authority;

- The investigation of referrals of cases of suspected financial irregularity, fraud or corruption;
- The provision of ad hoc advice on control and governance issues.

## 6. Internal Audit Team

6.1 The size of the Internal Audit team required is evaluated from the Internal Audit Strategic Programme and is subject to review and consideration by the Internal Audit Manager in liaison with CMT and the Governance, Audit & Performance Committee to ensure it remains adequate to deliver an effective service and an annual opinion. Regular updates to the Governance, Audit & Performance Committee are provided through the Internal Audit Progress reports.

6.2 The current level of resource of:

- Internal Audit Manager – full-time
- 1 Internal Auditor - full-time
- 1 Internal Auditor - part-time, 0.7 FTE

is considered adequate to ensure delivery of a basic Annual Audit Programme needed to provide the necessary assurance on the effectiveness of the systems of internal control.

6.3 The Internal Audit section includes a range of qualified and part-qualified staff. The PSIAS require that the Internal Audit Manager must hold a relevant professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced. The current Internal Audit Manager holds both the CMIIA and PIIA (Chartered Institute of Internal Auditors UK & Ireland) and the QIAL and CIA (Global IIA) qualifications and has been in the present role since 2007.

6.4 Although the annual Internal Audit Work Audit Programme sets out the potential number of audit days allocated for each year; the working arrangements provide for a flexible approach between clients whereby audit days or expertise can be transferred depending upon any additional work that may be required.

6.5 All audits are performed by staff with qualifications and experience appropriate to the work undertaken and Internal Audit's quality control procedures require some supervisory input into all work by the Internal Audit Manager.

- 6.6 Individual members of the Internal Audit team have a personal responsibility to undertake a programme of continuing professional development to maintain and develop their competence. This will be achieved through professional training, attendance at ad-hoc seminars and in-house training courses. Training needs are assessed on an on-going basis and are formally reviewed at least annually as part of the council's U-Perform process.

## **7. Performance Management**

- 7.1 The performance of the Internal Audit function is measured through the use and monitoring of performance indicators some of which are reported to CMT and the Governance, Audit & Performance Committee in the Internal Audit Progress Report and the Internal Audit Annual Report and Opinion.
- 7.2 Feedback on Internal Audit is requested from audit clients through Post Audit Questionnaires (PAQ) issued at the end of each audit assignment. This enables Internal Audit to identify and respond to any specific performance issues promptly to ensure efficiency and effectiveness is maintained, as well as ensuring the needs and expectations of clients are fully considered on an on-going basis.

### **Performance Indicators**

- 7.3 There are Internal Audit performance indicators which are monitored monthly by the Internal Audit Manager and are the basis of some of the objectives set for the Internal Audit Team in their U-Perform appraisals. The indicators are:
- %age of audits completed within the allocated time;
  - %age of planned audits completed to Draft report stage;
  - %age of planned audits completed to Final report stage;
  - %age of time spent on productive audit and non-specific audit work;
  - %age of customer satisfaction from PAQs returned.
- 7.4 Some of these indicators are also compared periodically with data from the Essex and Midlands Audit Groups.

## **8. Governance and Strategic Framework**

- 8.1 Each local government body operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes. The corporate governance framework published by CIPFA in 2016 "Delivering Good Governance in Local Government" defines the principles that should underpin the governance of each local government body. It provides a structure to help authorities with their own approach to governance and contains six core principles focusing on:

- The purpose of the authority and on the outcomes for the community, and creating and implementing a vision for the local area;
- Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the authority and demonstrating the value of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
- Developing the capacity of officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

8.2 The framework is intended to be followed as best practice for developing and maintaining a local code of corporate governance and for discharging responsibility for the proper conduct of public business, and this is summarised within the Annual Governance Statement (AGS). Time is included in the annual Internal Audit Work Programme to evaluate the effectiveness of the governance arrangements on an annual basis and independently challenge the assurances which underpin the AGS.

## **9. Review of Effectiveness of Internal Audit**

- 9.1 The Internal Audit Annual Report and Opinion provides an overview of the work and performance of Internal Audit throughout each year. This report provides an assurance of the effectiveness of the Internal Audit service during the year.
- 9.2 Details of work performed by Internal Audit during the year are summarised in the progress reports to the Governance, Audit & Performance Committee, thereby providing an on-going view of the effectiveness of the overall internal control environment and also providing the Members with an opportunity to challenge both the audit process and relevant officers in relation to specific issues identified within Service areas.
- 9.3 Internal Audit complete an annual self-assessment against the PSIAS from which areas of non-conformance are addressed in the Internal Audit Quality Assurance & Improvement Programme (QAIP). The results of this annual self-assessment and progress against the QAIP are reported to the Governance, Audit & Performance Committee in the Internal Audit Annual Report and Opinion.
- 9.4 The PSIAS require an external assessment of Internal Audit every five years. An external assessment of the Uttlesford Internal Audit Service was completed in September 2017; the next external assessment must be completed by September 2022. Whilst the PSIAS are not prescriptive in terms of how this should be fulfilled, CIPFA

guidance indicates that external assessments can be in the form of a full external assessment, or a self-assessment with independent external validation. Furthermore, an independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being part of, or under the control of, the organisation to which the internal audit activity belongs.

# INTERNAL AUDIT REPORTING PROTOCOLS

## 1. Chief & Main Auditees

- 1.1 The Chief Auditee will be the member of the Corporate Management Team to whom the head of the service area being audited reports.
- 1.2 The Main Auditee will be the service manager with direct operational responsibility for the area being audited.

## 2. Terms of Reference

- 2.1 The Terms of Reference for an audit will be agreed with the Chief and Main auditees.
- 2.2 The Assistant Director of Resources will be consulted on the Terms of Reference of all Key Financial audits.
- 2.3 Once agreed, a copy of the Terms of Reference will be sent to Members of the Governance, Audit & Performance Committee

## 3. Audit Progression

- 3.1 Internal Audit will carry out reviews and evaluations as an audit progresses. At any time during an audit, testing may identify that it would be more effective and efficient to:
  - Stop audit field work at a given point;
  - Consider issuing an interim report with recommendations and agreed realistic implementation time (to a max of 6 months) and
  - Return once the interim recommendations have been implemented to complete the audit.

## 4. Findings & Recommendations

- 4.1 Internal Audit will hold informal discussions with Chief and Main auditees of our findings & evaluation and proposed recommendations & management actions. All non-confidential or sensitive working papers will be made available on request to auditees. Management will be advised of examples of good practice; exceptional working etc. where identified during the audit and confirmation of these will be given by e-mail to managers and staff on request.

## 5. Draft Report and Management Action Plan

- 5.1 Within 5 days of completion of our audit fieldwork, a Draft Report with recommendations will be circulated to auditees for:
1. final agreement and comment;
  2. assignment of management action responsibilities and
  3. the expected implementation date for each recommendation.
- 5.2 It is Internal Audit's expectation to reach agreement at the Draft Report stage with auditees on recommendations, management actions and implementation dates. However, it is for management to determine whether or not to accept the Internal Audit recommendations and to recognise and accept the implications of not taking action. Management must formally respond giving reasons for their decisions which will be recorded on the Final Report and be reported to the Governance, Audit & Performance Committee.
- 5.3 The Draft Report and completed Management Action Plan is to be returned to Internal Audit within 10 working days of issue.

## 6. Final Report

- 6.1 The Final Report will record only:
- The Internal Audit Opinion;
  - The overall comment on the effectiveness of the audited service;
  - The Management Action Plan detailing recommendations and their risk ratings, agreed management action and implementation dates.
- 6.2 The Final Report will be sent to the Chief Auditee for overall agreement and signature.
- 6.3 The Final Report will be issued to the Chief Auditee and copied for information to the Chief Executive; the Monitoring Officer; The Section 151 Officer; the Director of Public Services; the Main Auditee and other staff as appropriate.
- 6.4 A copy of each Final Report issued will be sent to Members of the Governance, Audit & Performance Committee and posted on the intranet.
- 6.5 Implementation of all recommendations is monitored by Internal Audit through Pentana which automatically generates reminder e-mails to managers as a recommendation approaches its agreed implementation date.
- 6.6 A Post Audit Questionnaire will be sent to the Main Auditee and other relevant officers for completion and return to the Internal Audit Manager.

## 7. Escalation Procedures

- 7.1 To ensure the timely issue of a Final Report for an audit, a reminder will be sent to the auditees concerned on the **10<sup>th</sup> working day** following the issue of a Draft Report if it has not already been returned to Internal Audit.
- 7.2 If a Draft Report remains outstanding, further reminders will be sent every **5 working days** via the Chief Auditee for the service concerned.
- 7.3 A reminder will be sent to the Chief Auditee on the **10<sup>th</sup> working day** following the sending out of a draft Final Report & Management Action Plan for overall agreement and signature, if it has not already been returned to Internal Audit.
- 7.4 If a draft Final Report & Management Action Plan remains outstanding, further reminders will be sent every **5 working days** via the Director for the service concerned.
- 7.5 Any persistent outstanding draft Final Report & Management Action Plan will be reported to the Monitoring Officer, CMT and Governance, Audit & Performance Committee in the next reporting cycle.
- 7.6 Internal Audit will follow up all the recommendations on the Management Action Plan to ascertain the extent to which agreed actions are actually implemented.
- 7.7 Recommendations will be followed up prior to meetings of the Governance, Audit & Performance Committee and are also subject to followed up as part of a rolling programme of review from the earlier of 6 months after the issue of the Final Report or 1 month after the latest implementation date of action.
- 7.8 Progress on implementation of recommendations is reported to Members at each meeting of the Governance, Audit & Performance Committee.

## 8. Key Target Dates

The key target dates associated with reporting are summarised below:

Target date	Key task
On completion of audit fieldwork	Findings & evaluation and proposed recommendations & management actions discussed with auditees.
Within <b>5 working days</b> of completing audit fieldwork	Draft Report circulated to auditees for management agreement on actions, assigned responsibilities and implementation dates.
Within <b>10 working days</b> of issuing the Draft Report and Management Action Plan	Draft Report and Management Action Plan with agree actions, assigned responsibilities and implementation dates returned to Internal Audit.
Within <b>1 working day</b> of the return to Internal Audit of Draft Report	Final Report sent to Chief Auditee for signature.
Within <b>10 working days</b> of the Final Report and Management Action Plan being sent for signature	Signed Final Report and Management Action Plan returned to Internal Audit.
Within <b>1 working day</b> of the return to Internal Audit of signed Final Report	Final Report issued.
The earlier of <b>6 months</b> after the issue of the Final Report or <b>1 month</b> after the latest implementation date of action	Follow-up action on Management Action Plan recommendations

# Agenda Item 11

**Committee:** Governance, Audit and Performance Committee

**Date:**

Tuesday, 24 March 2020

**Title:** Draft Internal Audit Work Programme 2020/21

**Report Author:** Sheila Bronson, Audit Manager

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## Summary

1. The purpose of this report is to present to Members the details of the proposed draft Internal Audit Work Programme for 2020/21

## Recommendations

2. That Members approve the proposed draft Internal Audit Work Programme for 2020/21 and consider any additional areas for Internal Audit work during in 2020/21

## Financial Implications

3. None

## Background Papers

4. None.

## Impact

- 5.

Communication/Consultation	The draft Internal Audit Work Programme 2020/21 referred to in this report has been agreed with Corporate Management Team and will be discussed with the Senior Management Team at its meetings in March and April 2020
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none
Sustainability	none

Ward-specific impacts	none
Workforce/Workplace	none

## Situation

6. Internal Audit is part of the Council's corporate governance framework. Corporate governance is defined as the system by which local authorities direct and control their functions. The requirement for adequate and effective Internal Audit is statutory for all local authorities.
7. With effect from 1 April 2013, the work of Uttlesford District Council's (UDC) Internal Audit is governed by the UK Public Sector Internal Audit Standards (PSIAS) which have replaced the CIPFA Code of Practice for Internal Audit in the UK. The PSIAS require that there must be a risk-based internal audit plan that takes into account the requirement to produce an annual internal audit opinion and assurance framework and the plan must be reviewed and approved by senior management (CMT) and the board (Performance & Audit Committee).
8. Internal Audit uses a rolling programme of risk based internal audit work to meet requirements and resources during the year. Any review and revision to the programme will be reported to the Committee through Internal Audit Progress Reports.

## Draft Internal Audit Work Programme 2020/21

9. Work on the 2020/21 Audit Programme is expected to start from 01 April 2020 alongside completion of any residual work from the 2019/20 Audit Programme.
10. The available audit days have been calculated on the resources available of:
  - 1 x FT Audit Manager
  - 1 x FT Internal Auditor
  - 1 x 0.67 FTE Internal Auditor
11. The initial Internal Work Programme for 2020/21 allocation of audit days calculated as follows:

<b>Total Days available</b>	<b>697</b>
Less non-productive (e.g. bank holidays, leave, admin, CPD, Training etc.)	<u>- 234</u>

<b>Total available productive time</b>	<b>463</b>
Less Productive non-audit work (e.g. Annual Governance Statement; consultancy & general advice; Committee & Member related work; Contribution to Corporate Management; fraud related work; irregularity provision; follow-up work; residual 2019/20 work etc.)	<u>- 163</u>

<b>Total days available for planned audit work</b>	<b>300</b>
--	------------

12. The 2020/21 programme audit work is risk based as far as is possible; our priorities for audits are:

1. Corporate Plan Actions / Corporate & Strategic Risks / Key Performance Indicators (latest data available at the time of preparation of this report);
2. Key Financials –statutory audits (audited on a 3 year cycle);
3. Internal Audit identified high risk areas;
4. Specifically requested risk areas or services;
5. Audits carried forward from the 2019/20 plan;
6. Overdue audits from the strategic plan.

13. Approximately 300 days are available for auditing from 01 April 2020 to 31 March 2021; at this stage potential days per audit have not been allocated.

14. The following audits are included in the draft Internal Audit Work Programme 2020/21:

CORPORATE AUDITS	COMMENT
Climate Change & Sustainability	Formerly Energy Efficiency last audit 2017/18, to incorporate Climate Change & Sustainability, Corp Plan 2020
Commercial Enterprises & Investments	new enterprises and investments
Fleet & Fuel Management	Last audited 206/17, changes following JVP
Uttlesford Norse	UDC monitoring of JVP

KEY FINANCIAL AUDITS	COMMENT
Council Tax	Key financial audit – year 1
Benefits (including LCTS)	Key financial audit – year 1
Main Accounting System	Key financial audit – year 1
Taxation	Key financial audit – year 1
Payroll, Allowances & Expenses	Key financial audit – year 1

FOLLOW UP AUDITS	COMMENT
Business Continuity & Emergency Planning	2019/20 Audit - LITTLE
Equality & Diversity	2019/20 Audit - LIMITED

- *there may be further follow up audits depending on 2019/20 Audit Opinions for audits currently WIP*

OTHER AUDITS	COMMENT
Communication	Last audit 2015/1, Corp Plan
Day Centres	service changes
Risk Management	Last audit 2015/16, RM review & service changes

Website & Consultation	New audit area, Corp Plan
Grounds Maintenance	Last audit 2014/15, Corp Plan
Highway Ranger Services	Last audit 2014/15, Corp Plan
Street Cleaning	Last audit 2014/15, Corp Plan
Elections	Last audit 2016/17 service changes & elections since
Environmental Health C - Food Safety & Infectious Disease Control	Last audit 2013/14, b/f from 2019/20
Housing - Landlord Services	New audit area
Economic Development - business parks and communities	New audit area b/f from 2018/19; Corp Plan
Economic Development - Stansted airport & partners for economic opportunities, jobs & prosperity	New audit area b/f from 2018/19; Corp Plan
Neighbourhood Plans	New audit area b/f from 2018/19; Corp Plan

15. The 2020/21 Strategic Programme details all of the potential audit areas and the information on which the audit risk assessment has been based and is reproduced in the appendix to this report.

## Risk Analysis

16.

Risk	Likelihood	Impact	Mitigating actions
The Council does not provide for an adequate and effective internal audit function	1 Internal Audit function is an integral part of the Council	3 Statutory requirement, adverse External Auditor comment	Strategic audit programme approved by Senior Officers and Members, reconciled to available audit resource
The Council's audit environment changes and available audit resource is no longer sufficient	2 No spare capacity if unforeseen long term absence of staff	2 Review of audit plan leading to reduction of audit coverage. Potential	Regular monitoring and highlighting potential shortfall

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

Strategic Programme 2020-21 March 2020		2020/21 programme (initial)	IA Risk assessment	comment JAN 2020	last audited	last audit opinion	Corp Risks 2019/20	Corp plan 2020-24	CPDP 19/20 actions at 25/02/20 %	SPDP 19/20 actions at 25/02/20 %	KPI/PIs 2020/21	qtr 2 2019/20 opinion	2018/19 opinion	2017/18 opinion	2016/17 opinion	2015/16 opinion
1	Corporate	Business Continuity & Emergency Planning	y	follow-up to 2019/20 audit - LITTLE	2019/20	little	19-CR02 6			50		little			satisfactory	
2	Corporate	Climate Change & Sustainability	y	Formerly Energy Efficiency last audit 2017/18, to incorporate Climate Change	2017/18	substantial		Y			PI28 R			substantial		
3	Corporate	Commercial Enterprises & Investments	y	new enterprises and investments	2017/18	substantial	19-CR01 8	Y	75					substantial		
4	Corporate	Consultants, Contractors and Agency Staff	n		2019/20	satisfactory	19-CR04 6					satisfactory				
5	Corporate	Counter Fraud - Fraud Risk Assessment	n		2018/19	satisfactory	19-CR07 8						satisfactory			
6	Corporate	Equality & Diversity	y	follow-up to 2019/20 audit - LIMITED	2019/20	limited	19-CR07 8				PI107 R	limited	little			
7	Corporate	EU Exit	p	depends on risk of non deal EU Exit	2019/20	substantial	19-CR10 12					substantial				
8	Corporate	Fleet & Fuel Management	y	Last audited 206/17, changes following JVP	2016/17	substantial	19-CR01 8			75					substantial	little
9	Corporate	Governance & Ethical Culture	n		2017/18	substantial	19-CR07 8	Y						substantial	n/a	n/a
10	Corporate	Health & Safety	p	depends on 2019/20 opinion	2019/20	tbc	19-CR03 4			73		tbc				
11	Corporate	Information Governance	p	depends on 2019/20 opinion	2019/20	tbc	19-CR05 8			75		tbc				adequate
12	Corporate	Partnerships - LSP	n		2016/17	satisfactory		Y		75	PI43 A				satisfactory	
13	Corporate	Uttlesford Norse	y	UDC monitoring of JVP												
14	KF Resources	Benefits (including LCTS)	y	kf yr 1	2017/18	substantial	19-CR01 8	Y		76	KPI04 G; KPI06a G; KPI06b G; KPI17 A			substantial		substantial
15	KF Resources	Budgets	n	kf yr 2	2018/19	satisfactory	19-CR01 8	Y	75	70			satisfactory			substantial
16	KF Resources	Business Rates	n	kf yr 3	2019/20	substantial	19-CR01 8	Y		86	KPI03 A				substantial	substantial
17	KF Resources	Cash & Bank	n	kf yr 2	2018/19	satisfactory	19-CR01 8	Y		80			satisfactory		satisfactory	limited
18	KF Resources	Contracts & Procurement	n	kf yr 2	2018/19	satisfactory	19-CR01 8	Y		75			satisfactory			substantial
19	KF Resources	Council Tax	y	kf yr 1	2017/18	substantial	19-CR01 8	Y		85	KPI05 G			substantial		substantial
20	KF Resources	Creditors	n	kf yr 2	2018/19	satisfactory	19-CR01 8	Y		75	KPI01 G; PI02 G		satisfactory			substantial
21	KF Resources	Grants & External Funding received	n	kf yr 3	2016/17	substantial	19-CR01 8	Y							substantial	
22	KF Resources	Housing Rents	n	kf yr 2	2018/19	satisfactory	19-CR01 8	Y			KPI16 G		satisfactory			substantial
23	KF Resources	Income, Fees & Charges	n	kf yr 2	2018/19	substantial	19-CR01 8	Y					substantial		substantial	
24	KF Resources	Insurance	n	kf yr 3	2019/20	tbc	19-CR01 8	Y				tbc			substantial	substantial
25	KF Resources	Main Accounting System	y	kf yr 1	2017/18	substantial	19-CR01 8	Y		40				substantial		substantial
26	KF Resources	Recovery	n	kf yr 3	2019/20	satisfactory	19-CR01 8	Y		75	PI03 G	satisfactory			satisfactory	
27	KF Resources	Taxation	y	kf yr 1	2017/18	satisfactory	19-CR01 8	Y						satisfactory		satisfactory
28	KF Resources	Treasury Management	n	kf yr 3	2019/20	substantial	19-CR01 8	Y		75		substantial			substantial	
29	KF Corp Serv	Payroll, Allowances & Expenses	y	kf yr 1 (split -from HR), specifically Officers' Allowances & Expenses	2018/19	substantial	19-CR01 8			90			substantial		limited	limited
30	KF ICT & Facilities	Asset Management	n	kf yr 3	2019/20	substantial						substantial			substantial	
31	Corp Serv	Communication	y	Last audit 2015/1, Corp Plan	2015/16	substantial				65						substantial
32	Corp Serv	Customer Service Centre	p	service changes	2016/17	satisfactory				38	PI44 G				satisfactory	
33	Corp Serv	Day Centres	y	service changes	2017/18	substantial			50	44				substantial		
34	Corp Serv	HR	y	follow-up to 2019/20 audit - LITTLE	2019/20	little	19-CR04 6		60	64	KPI07a & b G	little				
35	Corp Serv	Leisure PFI	n		2019/20	satisfactory				50		satisfactory		limited		
36	Corp Serv	Museum	p	depends on 2019/20 opinion	2019/20	limited		Y	70	49	PI49 A	limited				
37	Corp Serv	Performance Management	p	service changes	2016/17	satisfactory	19-CR08 4			45					satisfactory	
38	Corp Serv	Risk Management	y	Last audit 2015/16, RM review & service changes	2015/16	substantial	19-CR08 4									substantial
39	Corp Serv	Website & Consultation	y	New audit area, Corp Plan				Y	75							
40	Envir Serv	Domestic Waste & Recycling	p	depends on 2019/20 opinion	2019/20	tbc		Y	75	43	KPI14 G; 15b G PI48 G	tbc				
41	Envir Serv	Grounds Maintenance	y	Last audit 2014/15, Corp Plan	2014/15	adequate										
42	Envir Serv	Highway Ranger Services	y	Last audit 2014/15, Corp Plan	2014/15	adequate										
43	Envir Serv	Income Generating Services	n	garden waste, bulky goods	2016/17	adequate				67					adequate	
44	Envir Serv	Street Cleaning	y	Last audit 2014/15, Corp Plan	2014/15	adequate			90	80						
45	Envir Serv	Trade Waste	n		2018/19	satisfactory			75	85			satisfactory	little		adequate
46	Gov & Legal	Democratic Services	n		2018/19	substantial				56	PI21 G		substantial			
47	Gov & Legal	Elections	y	Last audit 2016/17 service changes & elections since	2016/17	adequate				70					adequate	
48	Gov & Legal	Electoral Registration	n	service changes	2016/17	substantial				70	PI12 A				substantial	
49	Gov & Legal	Legal Services	n		2018/19	substantial				44	PI06 G		substantial			
50	Gov & Legal	Local Land Charges	n	service changes	2016/17	satisfactory				66					satisfactory	
51	Gov & Legal	Members' Allowances & Expenses	p	depends on 2019/20 opinion	2019/20	tbc	19-CR01 8					tbc			substantial	
52	H, H & C	Communities - Community Safety	n		2018/19	satisfactory		Y	75	66			satisfactory			
53	H, H & C	Communities - Grants to Voluntary Organisations	n		2017/18	satisfactory								satisfactory		
54	H, H & C	Communities - Health Improvement	n		2017/18	substantial		Y	75	81				substantial		substantial
55	H, H & C	Environmental Health C - Food Safety & Infectious Disease Control	y	Last audit 2013/14, b/f from 2019/20	2013/14	adequate				75	PI41 G					
56	H, H & C	Environmental Health C - Licensing	n	service changes	2019/20	tbc		Y		70		tbc				adequate
57	H, H & C	Environmental Health C - Port Health & Imported Food Controls	n		2019/20	substantial				75		substantial				adequate
58	H, H & C	Environmental Health P - Disabled Facilities Grants	n		2018/19	satisfactory				75			satisfactory			

Strategic Programme 2020-21 March 2020		2020/21 programme (initial)	IA Risk assessment	comment JAN 2020	last audited	last audit opinion	Corp Risks 2019/20	Corp plan 2020-24	CPDP 19/20 actions at 25/02/20 %	SPDP 19/20 actions at 25/02/20 %	KPI/PIs 2020/21	qtr 2 2019/20 opinion	2018/19 opinion	2017/18 opinion	2016/17 opinion	2015/16 opinion
59	H, H & C	Environmental Health P - Empty Homes & Private Sector Housing	n		2018/19	substantial		Y	75	75			substantial			
60	H, H & C	Environmental Health P - Enforcement	n		2019/20	satisfactory		Y		75		satisfactory	limited			
61	H, H & C	Environmental Health P - Other	n		2013/14	satisfactory				82						
62	H, H & C	Housing - Homelessness (incl Rent Deposit Scheme)	p	depends on 2019/20 opinion	2019/20	tbc			75	83	PH16 A	tbc				substantial
63	H, H & C	Housing - Landlord Services	y	New audit area						75						
64	H, H & C	Housing - Allocations	p	depends on 2019/20 opinion	2019/20	tbc				85		tbc				substantial
65	H, H & C	Housing - Supporting People (formerly Services for Older People)	n		2017/18	satisfactory		Y		73				satisfactory		
66	H, H & C	Housing Strategy	n		2017/18	substantial				69				substantial		
67	H, H & C	Property Services - Right to Buy	n		2019/20	substantial				75		tbc				adequate
68	ICT & Facilities	ICT	n		2018/19	substantial	19-CR06 12			77	PI20 G		substantial			substantial
69	ICT & Facilities	Printing & Mailroom	n		2016/17	satisfactory				50					satisfactory	
70	Planning	Building Control Service and Fees	n		2018/19	satisfactory				50			satisfactory			
71	Planning	Car Parking Partnership (NEPP)	n		2017/18	satisfactory								satisfactory		limited
72	Planning	Conservation	p	service changes - corp plan 2020	2017/18	substantial		Y		18				substantial		
73	Planning	Development Management	n		2019/20	satisfactory		Y		64	KPI 11 R; KPI12 A-PI30 G-PI24d G-PI46	satisfactory				
74	Planning	Economic Development - business parks and communities	y	New audit area b/f from 2018/19; Corp Plan				Y	75	50						
75	Planning	Economic Development - Stansted airport & partners for economic op	y	New audit area b/f from 2018/19; Corp Plan				Y	75	50						
76	Planning	Economic Development - town centres & small business support	n		2017/18	substantial		Y		60				substantial		
77	Planning	Enforcement	n		2018/19	satisfactory		Y		100			satisfactory		satisfactory	
78	Planning	Landscape	p	corp plan 2020	2017/18	satisfactory								satisfactory		
79	Planning	Neighbourhood Plans	y	New audit area b/f from 2018/19; Corp Plan				Y		25						
80	Planning	Policy & Local Plan	p	expanded to include policy	2017/18	substantial	19-CR09 8	Y	50	25				substantial		
81	Planning	Section 106 Obligations	p	depends on 2019/20 opinion	2019/20	tbc		Y		50		tbc				substantial
82	Planning	Support & Business	n		2018/19	substantial				83			substantial			
	H, H & C	Property Services - Planned Maintenance		to Uttlesford Norse Ltd - partnership management	2018/19	limited		Y		75			limited			
	H, H & C	Property Services - Repairs Service		to Uttlesford Norse Ltd - partnership management	2019/20	tbc				90		tbc				adequate
	H, H & C	Property Services - Stock & Voids		to Uttlesford Norse Ltd - partnership management	2019/20	tbc		Y	75	50	KPI08a R	tbc			substantial	substantial
	H, H & C	Property Services - Stores		to Uttlesford Norse Ltd - partnership management	2018/19	substantial				40			substantial			adequate
	ICT & Facilities	Facilities Management		to Uttlesford Norse Ltd - partnership management	2016/17	satisfactory				55					satisfactory	

# Agenda Item 12

**Committee:** Governance, Audit and Performance Committee

**Date:**

Tuesday, 24 March 2020

**Title:** Counter Fraud & Corruption Work and Annual Fraud Plan

**Report Author:** Sheila Bronson, Audit Manager

sbronson@uttlesford.gov.uk

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## Summary

1. The purpose of this report is to update members on the counter fraud and corruption work undertaken since the previous report to this committee in February 2019 and present the Annual Fraud Plan for 2020/21.

## Recommendations

2. The Committee is requested to note this report and the Annual Fraud Plan.

## Financial Implications

3. None. There are no direct financial implications

## Background Papers

4. None.

## Impact

- 5.

Communication/Consultation	The Counter Fraud & Corruption Work and Annual Fraud Plan referred to in this report has been agreed with Corporate Management Team and will be discussed with the Senior Management Team at its meeting 25 March 2020
Community Safety	none
Equalities	none
Health and Safety	none
Human Rights/Legal Implications	none

Sustainability	none
Ward-specific impacts	none
Workforce/Workplace	none

## Situation

6. Internal Audit is responsible for promoting the Council's counter-fraud and corruption strategy and policies and our objective is to raise internal and external awareness of fraud and corruption and of the various actions that the council is taking to prevent, identify and counteract it. These include the Internal Audit Manager chairing of the Counter Fraud Working Group (CFWG), Fraud & Bribery Risk Assessments, revision of the Council's Corporate Counter-Fraud & Corruption Strategy and Policies and co-ordination of the Council's National Fraud Initiative (NFI) data matching exercises.
7. Internal Audit is responsible for investigating all corporate fraud allegations; Housing Services are responsible for investigating allegations relating to housing tenancy fraud; the Revenues Team Compliance Officers are responsible for investigating allegations of fraud relating to Local Council Tax Support. Benefit fraud is investigate by the DWP.

## Counter Fraud Working Group

8. Since the last report to this committee, the Council's Counter Fraud Working Group (CFWG) has met in August 2019 and January 2020, the meetings have reviewed the National Fraud Initiative (NFI) work; reviewed the Fraud Risk Assessment 2019; reviewed, revised and published Counter Fraud & Corruption Strategy and Policies; and received reports on counter fraud work throughout the Council. The CFWG Terms of Reference and meeting minutes can be made available to members on request.
9. The revised Council's Counter Fraud Strategy and Policies were published in April 2019 and are available on the Counter Fraud & Corruption pages on the council's website.
10. There are a number of initiatives to assist local authorities in their counter fraud activities; the most applicable of these for this authority is the CIPFA Fighting Fraud & Corruption Locally Strategy 2016-2019 published by the CIPFA Counter Fraud Centre; this is currently under review and an updated strategy expected to be published shortly.

## Fraud Risk Assessment 2019

11. During June / July 2019, Internal Audit carried out Fraud Risk Assessment of the Council's current level of counter fraud activities and fraud awareness using the checklist based on that published in CIPFA's Fighting Fraud & Corruption Locally (FFCL).

12. The overall conclusion is that the Council is demonstrating an increasing level of fraud awareness and prevention and has an acceptable level of risk, but further action should be considered if it is to meet all of the requirements of the current CIPFA's Fighting Fraud & Corruption Locally checklist.
13. The FFCL checklist contains 34 individual statements. The Council's overall position for each statement has been assessed from the collated responses as YES / NO / PARTIAL. The overall results from the 2019 assessment are:

FFCL CHECKLIST STATEMENTS				
YEAR	total	YES	NO	PARTIAL
<b>2019</b>	<b>34</b>	<b>23</b>	<b>2</b>	<b>9</b>
		<b>68%</b>	<b>6%</b>	<b>26%</b>
<b>2017</b>	<b>34</b>	<b>18</b>	<b>3</b>	<b>13</b>
		<b>53%</b>	<b>9%</b>	<b>8%</b>

14. The results of the assessment were reported to CMT in November 2019 and included 8 recommendations aimed at improving the Council's levels of effectiveness in fraud risk awareness, prevention and investigation.
15. The Management Action Plan to address the recommendations was agreed with CMT and CFWG.
16. To date, 5 of the recommendations have been fully implemented and 3 partially implemented; details of the recommendations and actions taken to date can be made available to members on request.
17. Further progress on the implementation of recommendations will be reviewed by CFWG and CMT during 2020/21 and reported in the next report to this committee in February 2021
18. The Cabinet Office is responsible for the National Fraud Initiative (NFI); this is a data matching exercise which matches information provided by 1,200 participating organisations from across the public and private sectors to identify potentially fraudulent claims, errors and overpayments etc. for investigation by those organisations.
19. All district councils are required to participate in NFI exercises, each council appointing a NFI Key Contact responsible for coordinating and monitoring the overall exercises within their council and providing feedback on outcomes. The Internal Audit Manager is the Council's NFI Key Contact and has responsibility for coordinating all NFI exercises.
20. There are two NFI exercises in which the Council participates:
- the main NFI Exercise which takes place every two years and

- the Council Tax Single Person Discount Exercise which takes place annually.

21. From the 2018/19 NFI Exercise, the Council received 66 reports containing a total of 960 potential fraud data matches which were allocation to the relevant services during 2019 for checking and investigation.

22. To date checks undertaken have identified:

- 4 errors (value £4,454) and
- 1 fraud (value £16,807)

23. From the 2018/19 Council Tax Single Person Discount Exercise, the Council received 4 reports containing a total of 2959 potential fraud data matches which were allocated to the Revenues Team Compliance Officers for checking and investigation.

24. The Council participates in a monthly county wide data matching of Council Tax and Electoral Register, due to this checks are not been carried out on the NFI report which contains 365 matches.

25. To date checks undertaken on 2603 matches on the 3 remaining reports have identified:

- for Rising 18s 6 errors (value £5,150)
- for Single Person Discounts 2 errors (value £975)
- for HMRC to Household composition 11 errors (value £10,125)

26. Data was submitted in January 2020 for the main 2019/20 Council Tax Single Person Discount Exercise. The Council has received 1698 potential fraud data matches on which checking and investigation work has now commenced.

27. The total cost of officer time spent of fraud investigation work during 2019/20 will be published on the Transparency Pages of the Council's website after 31 March 2020.

### **Annual Fraud Plan 2020/21**

28. During 2020/21 the Council be undertaking the following counter fraud work:

ACTION	RESPONSIBILITY	DATE
NFI 2020/21 MAIN EXERCISE - EXTRACTION, COLLATION AND UPLOADING OF REQUIRED DATA SETS	NFI KEY CONTACT RELEVANT SERVICE MANAGERS	TIMETABLE TO BE PUBLISHED BY CABINET OFFICE, ASSUMED OCTOBER 2020

NFI 2020/21 MAIN EXERCISE - RECEIPT OF MATCHES AND CO-ORDINATION OF UDC CHECKS BY SERVICES	NFI KEY CONTACT RELEVENT SERVICE MANAGERS	TIMETABLE TO BE PUBLISHED BY CABINET OFFICE, ASSUMED FEBRUARY 2021
NFI 2019/20 COUNCIL TAX SPD EXERCISE - REVIEW OF MATCH CHECKS	NFI KEY CONTACT RELEVENT SERVICE MANAGER	MAY 2020
NFI 2022/21 COUNCIL TAX SPD EXERCISE - EXTRACTION, COLLATION AND UPLOADING OF REQUIRED DATA SETS	NFI KEY CONTACT RELEVENT SERVICE MANAGERS	TIMETABLE TO BE PUBLISHED BY CABINET OFFICE, ASSUMED DEC 2020
CFWG MEETINGS	AUDIT MANAGER RELEVENT SERVICE MANAGERS	JUNE 2020 SEPT/OCT 2020 JAN/FEB 2021
WHISTLE BLOWING POLICY - REVISION & PUBLICATION	AUDIT MANAGER A/D GOVERNANCE & LEGAL	IN PROGRESS
COUNTER FRAUD AWARENESS PUBLICITY CAMPAIGN	CFWG RELEVENT SERVICE MANAGERS	JULY/AUG 2020
REVIEW OF E-LEARNING PACKAGES COUNTER FRAUD, BRIBERY AND MONEY LAUNDERING E-LEARNING	AUDIT MANAGER A/D GOVERNANCE & LEGAL HR OFFICER MANAGER	IN PROGRESS
CORPORATE FRAUD INVESTIGATION WORK	INTERNAL AUDIT	AD HOC
AD HOC LOCAL COUNCIL TAX SUPPORT FRAUD INVESTIGATION WORK	COMPLIANCE OFFICERS	AD HOC
AD HOC HOUSING FRAUD INVESTIGATION WORK	HOUSING SERVICE	AD HOC

**Risk Analysis**

29.

Risk	Likelihood	Impact	Mitigating actions
Financial and reputational risk to the Council if it fails to actively commit to a counter-fraud and corruption strategy	2 = Some risk if public and staff unaware of counter-fraud and corruption commitment	3 = Significant risk of financial loss / penalties and reputation	Participation in NFI Initiatives Corporate Counter Fraud & Corruption Strategy and Policies Counter Fraud Working Group Regular Fraud Risk Assessments

- 1 = Little or no risk or impact
- 2 = Some risk or impact – action may be necessary.
- 3 = Significant risk or impact – action required
- 4 = Near certainty of risk occurring, catastrophic effect or failure of project.

# Agenda Item 13

**Committee:** Governance, Audit and Performance Committee

**Date:**

Tuesday, 24 March 2020

**Title:** Quarter 3 2019/20 Performance Indicator Report

**Report Author:** Oliver Knight, PFI and Performance Officer  
OKnight@uttlesford.gov.uk

## Summary

1. This report presents the Quarter 3 2019/20 outturn and data analysis for all Key Performance Indicators (KPIs) and Performance Indicators (PIs).

## Recommendations

2. None

## Financial Implications

3. There are no financial implications associated with this report.

## Background Papers

4. None.

## Impact

- 5.

Communication/Consultation	None
Community Safety	None
Equalities	None beyond service improvement on the equalities performance indicator
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

## Situation

6. Appendix A presents the data for Quarter 3 2019/20 (1<sup>st</sup> October 2019 to 31<sup>st</sup> December 2019) for all key performance indicators (KPI) and performance indicators (PI) that are monitored on a quarterly basis.
7. Performance is monitored against all targets agreed by the Governance, Audit and Performance Committee in May 2019.
8. For comparison purposes, the report contains outturn data for Quarter 3 2019/20, and the previous four quarters. All outturn data for Quarter 3 2019/20 is shown in bold.
9. All data and performance notes have been reviewed by the Corporate Management Team and the Joint Executive Board.
10. Overall performance of KPIs and PIs can be summarised as follows, with the majority of indicators meeting target:

### **Q3 2019/20 (31 indicators)**

<b>TOTAL Q3 2019/20</b>		
	<b>19</b>	<b>61%</b>
	<b>3</b>	<b>10%</b>
	<b>9</b>	<b>29%</b>
<b>Total</b>	<b>31</b>	<b>100%</b>

11. There are two KPIs that have not met their target but are within the 10% threshold and therefore have attained an 'amber' status:

KPI 03      Percentage of Non-Domestic Rates Collected (Max) \*

KPI 05      Percentage of Council Tax Collected (Max) \*

12. There are four KPIs that have exceeded the 10% performance threshold and have therefore attained a 'red' status:

#### **KPI 08 (a)**

##### **Average re-let time in days (all re-lets including time spent in works) (Min)**

Despite still being below target, attainment for this indicator has continued to improve since Quarter 1 2019/20. The Quarter 3 2019/20 outturn value shows a significant further short-term improvement in comparison to Quarter 2 2019/20 data. Officers are continuing to monitor this indicator, and working proactively to improve performance.

### KPI 11

#### Processing of Planning Applications: Major Applications (within 13 weeks or including any agreed extension of time) (Max)

Officers are now monitoring this indicator on a monthly basis to further monitor outturn values and are proactively implementing relevant measures to improve performance. The Planning Performance Agreement approach to determining major planning applications is being reinstated, which will help to increase the speed of application decisions.

### KPI 12

#### Processing of Planning Applications: Minor Applications (within 8 weeks or including any agreed extension of time) (Max)

Officers are monitoring all aspects of the application decisions process to drive forward performance. During Quarter 4 2019/20, focus will be upon reducing the quantity of 'just-in-time' decisions and improving the speed of decision sign-offs.

### KPI 13

#### Processing of Planning Applications: Other Applications (within 8 weeks or including any agreed extension of time) (Max)

Officers continue to closely monitor this indicator and are working proactively to improve performance. During Quarter 4 2019/20, new contracted arrangements with Place Services should drive forward improvements to the speed of signoff and reduce the number of 'just-in-time' decisions.

13. When reviewing Quarter 3 2019/20 KPI & PI attainment by directorate, Corporate Services & the Chief Executive Office have performed better than Public Services:

Status	Corporate Services		Public Services		Chief Executive Office	
	13	87%	5	36%	1	50%
	2	13%	1	7%	0	0%
	0	0%	8	57%	1	50%
<b>Total</b>	<b>15</b>	<b>100%</b>	<b>14</b>	<b>100%</b>	<b>2</b>	<b>100%</b>

14. When reviewing the short term performance trend by comparing Quarter 2 2019/20 against Quarter 3 2019/20, it is evident that there has been a negative movement in performance across all statuses. As highlighted by Point 12, this is primarily due to an increase in the quantity of KPIs attaining a red status. Nevertheless it is important to note there are some significant improvements in performance. For example, **PI 49** (Users of the Museum Service) has reached target for the first time during the 2019/20 year.

**Q2 2019/20 & Q3 2019/20 (31 indicators)**

Status	Q2 2019/20		Q3 2019/20	
		21	68%	19
	7	22%	3	10%
	3	10%	9	29%
<b>Total</b>	<b>31</b>	<b>100%</b>	<b>31</b>	<b>100%</b>

15. When considering the long-term performance trend through comparing Quarter 3 2018/19 with Quarter 3 2019/20, there has been a decrease in performance, with negative movement shown across the amber and red statuses:

**Q3 2018/19 & Q3 2019/20 (26 indicators\*)**

Status	Q3 2018/19		Q3 2019/20	
		17	65%	17
	6	23%	3	12%
	3	12%	6	23%
<b>Total</b>	<b>26</b>	<b>100%</b>	<b>26</b>	<b>100%</b>

*\*Data for PI 07, PI 46, PI 47, PI 48 & PI 49 is not comparable as these performance indicators were newly introduced for the 2019/20 year.*

16. If members have any questions regarding the data, or would like to see a more detailed analysis on a particular indicator, then please do not hesitate to contact the report author.

**Risk Analysis**

17.

Risk	Likelihood	Impact	Mitigating actions
If performance indicators do not meet quarterly/annual targets then areas such as customer satisfaction and statutory	2 – The majority of performance measures perform on or above target. Where necessary,	3 – The majority of service areas in the council are customer-facing.	Performance is monitored by CMT and the Governance, Audit & Performance Committee on a quarterly basis. The inclusion of five quarters of data helps

adherence to government led requirements could be affected leading to a loss in reputation for the Council.	accompanying notes to individual performance indicators detail improvement plans.		to identify trends. Where necessary, the Performance Team provide trend analysis to support CMT and Service Managers in improving performance.
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1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

# Quarter 3 2019/20 Performance Report: KPIs & PIs



## **Governance, Audit & Performance Committee – Tuesday 24<sup>th</sup> March 2020**

Key:    \* Cumulatively monitored    Max    Aim to maximise performance  
       # Quarterly targets profiled    Min    Aim to minimise performance

### Status Symbols



Target achieved



Target not achieved but within 10% of achieving target



Target not achieved by over 10%

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### Trend Arrows

Short Term    Assesses performance in Q3 2019/20 in comparison to Q2 2019/20

Long Term    Assesses performance in Q3 2019/20 in comparison to Q3 2018/19

**Directorate: CHIEF EXECUTIVE**

**Democratic & Electoral Services**

PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>PI 21</b> Percentage of minutes from meetings within 10 working days (Max)	92%	80%	69%	95%	63%	↓	↓	<b>Quarter 3 2019/20</b> <b>Numerator: 12 Denominator: 19</b> The work of the Democratic Services team was significantly disrupted during this quarter by the demands of organising the General Election held on 12 December 2019, which took priority over all other work.
								
	95%	95%	95%	95%	95%			

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**Legal Services**

PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>PI 06</b> Percentage of standard searches carried out in 10 working days (Max)	100%	100%	100%	100%	100%	-	-	<b>Quarter 3 2019/20</b> <b>Numerator: 312</b> (Completed searches) <b>Denominator: 312</b> (Total number of searches) 100% of searches were carried out in 10 working days. The average turnaround time was four working days; this figure has been achieved despite sickness within the team during the first half of Quarter 3 2019/20.
								
	100%	100%	100%	100%	100%			

**Directorate: CORPORATE SERVICES**

Benefits								
PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>KPI 04</b> Accuracy of processing – HB/CTB Claims (Max)	98.24%	98.69%	99.35%	98.00%	<b>99.26%</b>	↑	↑	<b>Quarter 3 2019/20</b> <b>Numerator: 134 Denominator: 135</b> 108 New claims and 27 Change of Circumstances checked during Quarter 3 of 2019/20 and only 1 financial error has been identified; giving an accuracy rate of 99.26%. We continue to achieve our target of 98% due to our proactive checking arrangements which identify any potential training issues quickly and allow us to give prompt and appropriate training.
	98.00%	98.00%	98.00%	98.00%	<b>98.00%</b>			
<b>KPI 06 (a)</b> Time taken to process Housing Benefit/Council Tax Benefit new Claims (Days) (Min)	19.2	18.0	19.9	16.1	<b>17.1</b>	↓	↑	<b>Quarter 3 2019/20</b> <b>Numerator: 4,337 Denominator: 254</b> 41 new claims to Housing Benefit (HB) were processed taking a total of 376 days. 213 new claims to Local Council Tax Support (LCTS) were processed taking 3,961 days. This is a combined total of 254 new claims taking 4,337 days; an average of 17.1 days.
	22.0	22.0	22.0	22.0	<b>22.0</b>			
<b>KPI 06 (b)</b> Time taken to process Housing Benefit/Council Tax Benefit Change Events (Days) (Min)	7.6	4.6	7.3	5.6	<b>6.0</b>	↓	↑	<b>Quarter 3 2019/20</b> <b>Numerator: 23,579 Denominator: 3,960</b> 1,471 changes in circumstance to Housing Benefit (HB) were processed taking a total of 7,462 days. 2,489 changes in circumstance to Local Council Tax Support (LCTS) were processed taking 16,117 days. This is a combined total of 3,960 changes taking 23,579 days; an average of 6.0 days.
	7.0	7.0	7.0	7.0	<b>7.0</b>			

## Customer Services

PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>PI 44</b> Percentage of customer enquiries resolved at first point of contact (Max)	88%	88%	88%	86%	<b>85%</b>	↓	↓	<b>Quarter 3 2019/20</b> <b>Numerator: 27,901 Denominator: 33,001</b>  Despite an increase in the number of enquiries passed on due to the introduction of new processes and staff training within the CSC, performance remains within target. 85% of all calls, face-to-face enquiries and emails received directly into the Centre were resolved at first point of contact.
								
	80%	80%	85%	85%	<b>85%</b>			

## Finance

PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>KPI 01</b> Percentage of supplier invoices paid within 30 days of receipt (Max)	100.00%	99.62%	99.72%	100.00%	<b>100.00%</b>	-	-	<b>Quarter 3 2019/20</b> <b>Numerator: 2,291 Denominator: 2,291</b>  Quarter 3 target reached with 100% of invoices being paid within 30 days of receipt by the council. It took on average 6.30 days from when an invoice was received to when it was paid. The quantity of invoices processed during Quarter 3 (2,291) was very similar in volume to Quarter 2 (2,244); with the average time taken per invoice to process being quicker at 6.3 days to Quarter 2's 7.43 days. With the vacant post filled it proves the process and training notes in place makes it possible to still reach target and performance will continue to improve.
								
	98.00%	98.00%	98.00%	98.00%	<b>98.00%</b>			

<b>PI 02</b> Average time (Days) to pay supplier invoices (Min)	7.0	6.5	6.1	7.4	<b>6.3</b>	↑	↑	<b>Quarter 3 2019/20</b> <b>Numerator: 14,444 Denominator: 2,291</b> Quarter 3 target reached. On average, invoices were paid within 6.30 days, from when issued to when the supplier was paid. On average it also took 3.02 days to pay an invoice once it was passed for payment from the departments. Processing is now back on track with the vacant post filled. Despite a busy period involving a small increase in invoice quantities and staff training, the target was still reached.
	✓	✓	✓	✓	✓			
	11.0	11.0	11.0	11.0	<b>11.0</b>			

## Human Resources

PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>KPI 07 (a)</b> Average number of days lost per employee through short-term sickness absence (Min) *	3.31	4.75	0.85	1.86	<b>3.58</b>	↓	↓	<b>Quarter 3 2019/20</b> <b>Numerator: 1,028 Denominator: 287.36</b> = 3.58 days per member of staff for the year to date. For Quarter 3 2019/20 - Numerator: 341.5 Denominator: 381, which equates to 0.90 days lost due to sickness for this quarter.
	✓	✓	✓	✓	✓			
	5.25	7.00	1.75	3.50	<b>5.25</b>			
<b>KPI 07 (b)</b> Average number of days lost per employee through long-term sickness absence (Min)	39.00	38.00	49.00	32.30	<b>31.00</b>	↑	↑	<b>Quarter 3 2019/20</b> <b>Numerator: 739.5 Denominator: 24</b> = Average of 31 days off work for the twenty-four long term sick cases this quarter. 11 staff have returned to work and three have returned on a phased return, whilst 10 still off under a fit note.
	✓	✓	✗	✓	✓			
	44.00	44.00	44.00	44.0	<b>44.00</b>			

## Information Communication Technology

PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>PI 20</b> Percentage of IT help desk calls resolved within target (Max)	98.72%	99.12%	99.03%	98.14%	<b>99.16%</b>			<b>Quarter 3 2019/20</b> <b>Numerator: 1,415</b> <b>Denominator: 1,427</b> 99.16% of help desk calls have therefore been resolved within target.
	97.00%	97.00%	96.00%	96.00%	<b>96.00%</b>			

### Museum

PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2018/19	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>PI 49</b> Users of the Museum Service (Max) #	New PI for 2019/20		4,229	3,387	<b>3,750</b>		N/A	<b>Quarter 3 2019/20</b> <b>Count: 3,750</b> Cumulative for 2019/20: 11,366. User figures exceeded target by 25% mainly due to continuing strong performance of loan box service for schools and reminiscence. Outreach associated with Death Masks to Diaries exhibition also helped to extend range of users.
			3,400	3,600	<b>3,000</b>			

### Revenues

PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>KPI 03</b> Percentage of Non-domestic Rates Collected (Max) *	87.78%	98.85%	29.44%	56.73%	<b>84.57%</b>			<b>Quarter 3 2019/20</b> <b>Numerator: £38,319,526.19</b> <b>Denominator: £45,308,859.54</b> The collection is slightly down overall. Primarily, this results from some large instalments not having been received by the end of the Quarter. Where necessary, recovery action is being taken and the team are liaising with these companies.
	87.70%	98.80%	29.60%	59.50%	<b>87.80%</b>			

<b>KPI 05</b> Percentage of Council Tax collected (Max) *	86.37%	99.17%	29.74%	57.75%	<b>85.91%</b>	↑	↑	<b>Quarter 3 2019/20</b> <b>Numerator: £57,399,478.91</b> <b>Denominator: £66,815,927.24</b> = 85.91 % as at 31 Dec 2019  The number of 12 month instalment plans have increased and the targets were set at a time when Council Tax was mostly paid over 10 months from April to January. Despite not reaching the Quarter 3 target, we expect to reach the annual target by the end of March 2020. Given that uptake of the 12 month instalment plan is increasing, we will ensure this is considered when profiling targets for the 2020/21 year.	
									↑
	87.80%	98.80%	29.80%	58.40%	<b>86.20%</b>				
<b>KPI 16</b> Rent collected as percentage of rent owed (including arrears b/f) (Max) *	97.41%	98.57%	93.44%	96.75%	<b>98.45%</b>	↑	↑	<b>Quarter 3 2019/20</b> <b>Numerator: £11,793,851.19</b> <b>Denominator: £11,979,361.59</b>  Quarter 3 statistics 2019/20: Numerator: £4,174,800.41 Denominator: £4,388,035.28 (95.14%)  This PI continues to exceed the target due to the rigorous approach to rent collection and regular checking and support by the Arrears Officer to tenants in arrears to assist them in maintaining their payment agreements, especially those tenants in receipt of housing costs through their Universal Credit payments.	
									↑
	95.65%	97.60%	89.60%	94.65%	<b>95.65%</b>				
<b>KPI 17</b> Local Council Tax Support Collection Rate (Max) *	75.98%	89.44%	25.68%	48.92%	<b>72.82%</b>	↑	↓	<b>Quarter 3 2019/20</b> <b>Numerator: £543,451.73</b> <b>Denominator: £746,276.35</b>  Total percentage collected is therefore 72.82%.  It is expected that collection rates will be maintained throughout the 2019/20 year. The proactive work of the LCTS recovery team ensures direct contact is made with LCTS customers at reminder stage and above.	
									↑
	69.00%	89.00%	25.00%	50.00%	<b>69.00%</b>				

<b>PI 03</b> Percentage of sundry debtor income overdue (debts over 90 days old not subject to a payment arrangement) (Min)	2.4%	2.6%	1.4%	1.1%	<b>1.2%</b>			<b>Quarter 3 2019/20</b> <b>Numerator: £5,222.04</b> (Debt over 90 days old) <b>Denominator: £445,920.27</b> (Total outstanding debt) Total percentage uncollected is therefore 1.17%.  Sundry Debt income is continuing to be collected within target. The proactive work of the Sundry Debtors team in contacting customers ensures payments are made promptly.
								
	4.0%	4.0%	4.0%	4.0%	<b>4.0%</b>			

**Directorate: PUBLIC SERVICES**

Communities								
PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>PI 07</b> The Level of Achievement attained under the Equality Framework for Local Government (Years) (Max)	<b>Not measured for 2018/19</b>		Developing	Developing	Developing	-	N/A	<b>Quarter 3 2019/20</b> <ul style="list-style-type: none"> <li>- The equality duty is drafted ready for publication.</li> <li>- The equality policy has been drafted ready for approval.</li> <li>- Equality training has been booked for May and June; this will lead to identifying staff for an internal forum.</li> <li>- District and County meetings attended.</li> </ul>
								
			Achieving	Achieving	Achieving			

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Environmental Health (Commercial)								
PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>PI 41</b> Percentage of routine food hygiene premises inspections completed within the quarter (Max)	77%	100%	98%	100%	96.5%	↓	↑	<b>Quarter 3 2019/20</b> <b>Numerator: 55 Denominator: 57</b> Two premises inspections missed due to limited access being available. These premises will be inspected in Quarter 4 within FSA mandatory code of practice. Premises are not high risk.
								
	98%	98%	98%	98%	98%			

## Housing Strategy & Operations

PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>PI 16</b> Number of households living in temporary accommodation (Min)	15	18	18	15	17	↓	↓	<b>Quarter 3 2019/20</b> <b>Count: 17</b> Bed and Breakfast: 5 Uttlesford District Council: 12  Snapshot: 31 December 2019. There has been an increase in the use of bed and breakfast this quarter which is a reflection of the fact that we have had more households presenting who are already homeless and owed a relief duty.
								
	14	14	14	14	14			

## Planning: Development Management

PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
Page 192  <b>KPI 11</b> Processing of Planning Applications: Major Applications (within 13 weeks or including any agreed extension of time) (Max)	90.00%	60.00%	72.73%	36.36%	40.00%	↑	↓	<b>Quarter 3 2019/20</b> <b>Numerator: 2 Denominator: 5</b> Cumulative; Numerator: 14 Denominator: 27 (51.85%). Major performance has declined, and officers need to analyse across the cases to establish patterns. Need to reinstate the project management of major applications. There have been significant challenges this quarter, as officer's time has primarily been used dealing with public inquiries and appeal work. Essex County Council have also taken longer than usual to respond to major application consultations, and there have been delays by the ECC Legal Team in communicating regarding Section 106 agreements.  Moving forward, the improved Planning Performance Agreement approach will improve performance in the processing of major planning applications. This new approach will also involve Essex County Council to ensure their response time is improved.
								
	60.00%	60.00%	60.00%	60.00%	60.00%			

<b>KPI 12</b> Processing of Planning applications: Minor applications (within 8 weeks or including any agreed extension of time) (Max)	49.02%	50.54%	61.33%	70.80%	<b>63.71%</b>	 	<p><b>Quarter 3 2019/20</b>  <b>Numerator: 79 Denominator: 124</b>            Cumulative; Numerator: 268 Denominator: 411 (65.21%)</p> <p>Restricted management resource - due to appeal work and sickness - has caused a detrimental impact at the point of sign off of just in time decisions. There have also been challenges in delivering the Conservation service, however it is hoped service delivery should be more sustainable with the new contracted arrangement with Place Services.</p> <p>To drive forward performance during Quarter 4, we have re-established the 1-2-1 regime to reduce just-in-time decisions. We are also reassessing the level of management resource required to ensure improved performance. Analysis has shown that quicker signing would have pushed target to be achieved so this is a performance focus for Quarter 4.</p>
							
	75.00%	75.00%	75.00%	75.00%	<b>75.00%</b>		
Page 193 <b>KPI 13</b> Processing of planning applications: Other applications (within 8 weeks or including any agreed extension of time) (Max)	84.72%	71.48%	55.91%	78.91%	<b>70.11%</b>	 	<p><b>Quarter 3 2019/20</b>  <b>Numerator: 190 Denominator: 271</b>            Cumulative; Numerator: 693 Denominator: 884 (78.39%).</p> <p>Slight dip in performance possibly related to combination of challenges from Conservation cover; delay in signing off and some just in time decisions. This will be improved during Quarter 4, with the new contracted arrangements with Place Services.</p> <p>We are re-enforcing the importance of having the 1-2-1 regime with case officers and managers to reduce just in time decisions, and reassessing the management resource required. Following these actions, we are confident that the performance trajectory can improve during Quarter 4.</p>
							
	82.00%	82.00%	82.00%	82.00%	<b>82.00%</b>		

<b>PI 30</b> Percentage of planning applications validated within 5 working days (Max)	99%	100%	100%	100%	<b>100%</b>	-	↑	<b>Quarter 3 2019/20</b> <b>Numerator: 390 Denominator: 391</b> Cumulative; Numerator: 1,198 Denominator: 1,200.  Despite having the normal 'peak' in applications for pre-Christmas, the team worked together to ensure that applications were validated within 5 working days.
	95%	95%	95%	95%	<b>95%</b>			
<b>PI 24 (d)</b> Quality of Decisions: Percentage of Appeals Upheld for Enforcement Notices (Min)	0.00%	0.00%	0.00%	0.00%	<b>0.00%</b>	-	-	<b>Quarter 3 2019/20</b> <b>Numerator: 0 Denominator: 0</b>  No decisions have been issued.
	30.00%	30.00%	30.00%	30.00%	<b>30.00%</b>			
Page 194 <b>PI 46</b> Quality of Decisions: Percentage of Appeals Upheld for Major Planning Applications as a proportion of Appeals Raised (Min) #	New PI for 2019/20		100.00%	0.00%	<b>36.36%</b>	↓	N/A	<b>Quarter 3 2019/20</b> <b>Numerator: 4 Denominator: 11</b> Cumulative, Numerator: 6 Denominator: 18 (33.33%)  Outturn data shows target has been slightly missed, but it is important to note that there has been a considerable increase in appeals determined in 2019/20.  Processes have now improved as officers summarise the key messages from appeal decisions (including dismissed appeals), so these become lessons learnt. These summaries and narratives are reported to team meetings, and ultimately to the Planning Committee. This process is in development during Quarter 4 2019/20, but will be more formally established during the 2020/21 year.
			30.00%	30.00%	<b>30.00%</b>			

<b>PI 47</b> Quality of Decisions: Percentage of Appeals Upheld for Non-Major Planning Applications as a proportion of Appeals Raised (Min) #	New PI for 2019/20	47.00%	28.00%	<b>70.59%</b>		<b>Quarter 3 2019/20</b> <b>Numerator: 24 Denominator: 34</b>  Cumulative, Numerator: 47 Denominator: 93 (50.53%). There has been a significant increase in appeal decisions determined by the Planning Inspectorate as they have cleared their backlog. Nevertheless, we must focus on how to improve performance moving forwards.  Processes have now improved as officers summarise the key messages from appeal decisions (including dismissed appeals), so these become lessons learnt. These summaries and narratives are reported to team meetings, and ultimately to the Planning Committee. This process is in development during Quarter 4, but will be more formally established during the 2020/21 year.
						
		30.00%	30.00%	<b>30.00%</b>		

## Property Services

PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note	
<b>KPI 08 (a)</b> Average re-let time in days (all re-lets including time spent in works) (Min)*	53	54	59.5	56	<b>51.77</b>			<p><b>Quarter 3 2019/20</b>  <b>Numerator: 7,093 Denominator: 137</b>                      The average void turnaround for the period April to December 2019 reduced to 51.75 days from an average of 56 as at the end of September 2019. This was as a result of improved performance for the period October to December 2019 when 48 properties were re-let at an average of 44.5 calendar days. During Quarter 3 the completion of the void works took an average of 34.5 calendar days, whilst the lettings process took an average of 10 calendar days.</p> <p>This KPI was particularly impacted within this quarter by two key factors. Firstly the quantity of voids within this period increased in Quarter 3, and secondly a few voids required structural intervention and major capital works.</p> <p>One property also considerably affected the average time for letting void properties this quarter. A sensitive letting process was required, and the property was not let until the fourth offer. It therefore took a total of 52 days to let following the completion of void works.</p> <p><i>Both Housing Strategy &amp; Operations and Property Services are responsible for this indicator.</i></p>	
									
	42	42	42	42	<b>42</b>				

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## Street Services

PI Code & Name	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Q3 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>KPI 14</b> Percentage of household waste sent for reuse, recycling and composting (LAA) (Max) #	49.17%	43.87%	50.67%	52.76%	<b>52.82%</b>			<b>Quarter 3 2019/20</b> <b>Numerator: 3,376.43 tonnes</b> (recycling and composted) <b>Denominator: 6,392.05 tonnes</b> (total domestic waste arising)  The waste tonnages are estimated as we are waiting for the verified figures from Essex County Council.
								
	51.00%	50.00%	51.00%	51.00%	<b>51.00%</b>			
<b>KPI 15 (b)</b> Percentage of collections of waste and recyclables successfully made on first visit (Max)	99.94%	99.94%	99.95%	99.96%	<b>99.99%</b>			<b>Quarter 3 2019/20</b> <b>Numerator: 953,883</b> (Number of successful collections) <b>Denominator: 954,000</b> (Total number of scheduled collections)  Good performance by the team, and above target.
								
	99.90%	99.90%	99.90%	99.95%	<b>99.95%</b>			
<b>PI 48</b> Attainment of 'Green' for Operator Compliance Risk Score (Yes or No)	New PI for 2019/20		Yes	Yes	<b>Yes</b>		N/A	<b>Quarter 3 2019/20</b> DVSA use the Operator Compliance Risk Score (OCRS) system to decide which vehicles should be inspected. OCRS is used to calculate the risk of an operator not following the rules on roadworthiness (the condition of its vehicles) and traffic, e.g. drivers' hours, weighing checks. The operators risk is measured by a traffic light system of Green, Amber and Red. We have retained a Green score throughout the 2019/20 year.
								
			Yes	Yes	<b>Yes</b>			

# Agenda Item 14

**Committee:** Governance, Audit and Performance Committee

**Date:**

Tuesday, 24 March 2020

**Title:** Waste Management Performance Indicators

**Report Author:** Ben Brown, Assistant Director - Environmental Services

bbrown@uttlesford.gov.uk

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## Summary

1. This Committee previously considered the Council's Quarter 2 2019/20 performance data. At the meeting of 13 January 2020 the Committee requested that an explanation be provided detailing the reasons for adjustments made to performance targets.
2. This report provides that explanation.

## Recommendations

3. The report is for information only.

## Financial Implications

4. There are no direct financial implications associated with this report.

## Background Papers

5. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

## Impact

- 6.

Communication/Consultation	N/A
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	N/A
Sustainability	N/A

Ward-specific impacts	N/A
Workforce/Workplace	N/A

## Situation

7. The Council carefully monitors the performance of all its services and uses a variety of indicators to identify service trends and inform future decisions. Waste management performance is currently measured using tonnage based information to track recycling and composting levels alongside the amount of residual waste requiring disposal.
8. KPI 14 monitors the Council's recycling rate and all local authorities use the same information to compare performance at a high level.
9. At its meeting on the 13th January 2020 Members noted that the target for overall percentage of waste recycled had been reduced in 2019/20 from 54% to 51.5%. (Table 1 in Appendix 1 refers). This change was made as a result of gradual changes to performance since the service model currently in operation was established.
10. It is important to consider that the percentage of waste recycled is a relatively crude measure which needs to be considered alongside a suite of other indicators to give a rounded view on service performance.
11. The indicator is affected by the nature and composition of household waste which changes over time and also reflects changes in consumer habits and legislative measures. On a month by month basis the composition of waste is impacted by the weather and even major sporting events.
12. It is nationally recognised that the weight of many packaging types, most of which are recyclable materials, have reduced over the last 10-15 years. For example, a wine bottle produced today is lighter in weight to one produced 10 years ago. If all else stayed constant the Council's recycling rate would be negatively impacted by lighter materials but the overall volume of waste would be static.
13. Some packaging materials for common products have also changed. In the case of pet food, readily recyclable cans were the most common containers for 'wet' food 10 years ago. Today, more difficult to recycle, composite plastic pouches are more routinely used.
14. The weight of newspaper and magazines available as waste has declined significantly as people's reading habits have changed moving from physical printed material to on-line.
15. These are just some examples of how waste composition, product design and consumer trends have changed and then impact on the weight of material available to recycle.

16. Figure 2 in APPENDIX 1 shows that between 2011-12 and 2018-19 there has been a downward trend in the levels of recycling rate achieved by other Essex authorities. It is evident that some authorities have diverged from this trend, however this has primarily been result of a broader change in service.
17. Over this time period the method of calculating performance has also been modified slightly effecting materials such as street sweepings. Whilst this gives a more accurate result, it also does decrease the level of recycling achieved.
18. The target for 2019-20 was updated and approved by Members. The reason for the proposed change was to reflect the reduction in rate for the reasons explained above.
19. Since 2019 the Council has invested in waste education and efforts to reduce contamination levels in recycling services have increased. These changes are likely to help increase participation in recycling services at the same time and it may be possible to slow the decline in recycling rate by encouraging recycling.
20. Within the agenda item relating to 2020/21 PI Targets, For the 2020/21 year, officers have proposed a slight target increase to 51.5%; the target for the 2019/20 year was 51.00%. It is believed that this is a genuine stretch and will require continued efforts around waste education to achieve that target.

### **The future**

21. The Governments Waste and Resources strategy launched in December 2018 recognises the need to update the way recycling performance is measured to consider the overall environmental benefits and carbon usage.
22. The emerging Climate Change Strategy and Action Plan alongside a revised Waste and Resources Strategy for Uttlesford will look to identify how our current service performs in terms of ensuring materials are recycled into valued commodities and also minimising the environmental impact of operations.
23. It is the view of the Assistant Director – Environmental Services that Members will need to focus our waste management efforts on reducing the amount of waste collected. It may also be worthwhile the Waste Strategy panel also considering whether any changes should be made to reporting in future years.

### **Risk Analysis**

24. There are financial and reputational risks associated with changes in waste composition and public participation in services provided by the Council. These are mitigated in part by holding a waste management reserve which is used to absorb negative impacts of reduced performance.

Risk	Likelihood	Impact	Mitigating actions
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Significant overspend against current budget for dry recyclables processing	3	2	Waste reserve held and waste education programme in place to minimise impacts associated with participation.
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1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

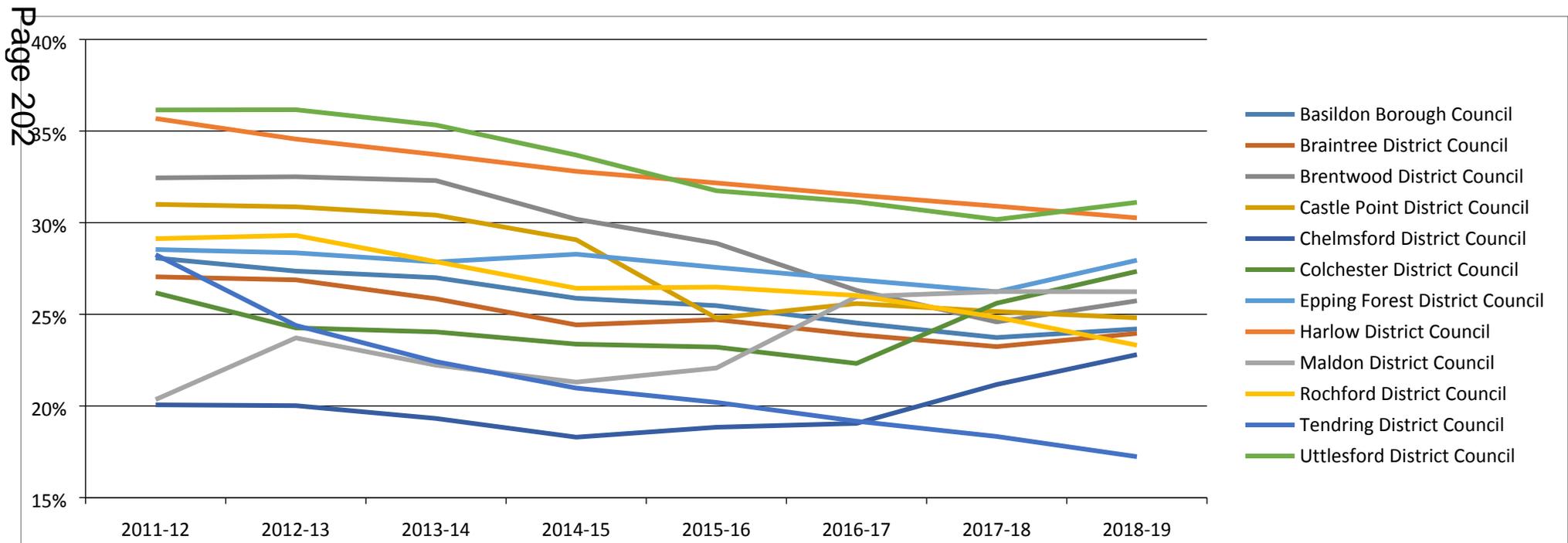
4 = Near certainty of risk occurring, catastrophic effect or failure of project.

APPENDIX 1 Waste Management key Performance Indicator 14 Percentage of household waste recycled or composted.

Table 1

PI Code & Name	Q2 2018/19	Q3 2018/19	Q4 2018/19	Q1 2019/20	Q2 2019/20	Short Term Trend	Long Term Trend	Performance Note
<b>KPI 14</b> Percentage of household waste sent for reuse, recycling and composting (LAA) (Max) #	52.89%	49.17%	43.87%	50.67%	<b>52.76%</b>	↑	↑	<b>Quarter 2 2019/20</b> <b>Numerator: 3,976.13 tonnes</b> (recycling and composted) <b>Denominator: 7,535.92 tonnes</b> (total domestic waste arising) The waste tonnages are estimated as we are awaiting verified figures from Essex County Council.
								
	55.00%	51.00%	50.00%	51.00%	<b>51.00%</b>			

Figure 2



**Committee:** Governance, Audit and Performance Committee

**Date:**

Tuesday, 24 March 2020

**Title:** 2020/21 Performance Indicator Target Setting

**Report Author:** Oliver Knight, PFI and Performance Officer

**Author:** OKnight@uttlesford.gov.uk

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## Summary

1. This report presents the targets for all Key Performance Indicators (KPIs) and Performance Indicators (PIs) to be monitored and reported during the 2020/21 year.

## Recommendations

2. The committee approves the targets for 2020/21.

## Financial Implications

3. There are no financial implications associated with this report.

## Background Papers

4. None

## Impact

- 5.

Communication/Consultation	None
Community Safety	None
Equalities	None beyond service improvement on the Equalities improvement indicator.
Health and Safety	None
Human Rights/Legal Implications	None
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None beyond service improvement on the Human Resources Indicators

## Situation

6. Appendix A documents the targets for all Key Performance Indicators (KPIs) and Performance Indicators (PIs) to be monitored during the 2020/21 year. For reference, proposed targets for 2021/22 have also been included as their proposal forms part of the annual Service & Performance planning cycle.
7. The 2020/21 performance indicator targets have been proposed by Service Managers, and reviewed and agreed by the Corporate Management Team.
8. The committee should note that reasoning has been provided within Appendix A where there is a difference between the 2020/21 Original Target and the 2020/21 Proposed Target.
9. Points 10 to 12 below raise specific points regarding individual indicators and their proposed 2020/21 targets:
10. **PI 12:** We are considering revising this indicator, to provide a more effective performance indicator which monitors the level of Housing Benefit recovered as a proportion of recoverable Housing Benefit overpayments. Given the introduction of Universal Credit, legacy HB overpayments have become more significant in the overall amount of recoverable Housing Benefit owed. Targets may therefore need to be revised to reflect this ongoing change.
11. **PI 28:** This PI is currently under review whilst we work to establish corporate projects for reducing carbon emissions across the authority. It is intended that this target will be ambitious given the climate emergency motion, however we need to quantify targeted emissions reductions before proposing a 2020/21 target.
12. **KPI 14:** Significant quarterly fluctuations of performance have been apparent over the most recent few years, primarily due to variations in quantities of garden waste being recycled. Unlike previous years, it is therefore proposed that targets for this PI will no longer be quarterly profiled. Whilst this KPI will continue to be monitored on a quarterly basis, we intend to keep the target the same across all quarters; and monitor the year-to-date percentage of household waste sent for reuse, recycling and composting. It is hoped this will provide a more effective measure of performance in relation to the annual target as the year progresses.
13. **New Indicators:**

### **PI 50 Percentage of calls answered in less than forty seconds (Max)**

This performance indicator has been introduced to provide an overview of the speed of answer of calls within the Customer Services centre. This measure will provide a quantitative overview reflecting the wait time experienced by residents when contacting the Customer Service Centre. It will also help to ascertain CSC training and development requirements. Complementing existing *PI 44 Percentage of customer enquiries resolved at first point of contact*, this PI will help in ensuring calls are dealt with as efficiently and

effectively as possible at the first point of contact. Bench marking exercises have identified that the majority of local authorities monitor and report this or a similar indicator at a corporate level.

**KPI 20 Average days lost per FTE through sickness absence (Min)**

**KPI 21 Average days lost per FTE through short-term sickness absence (Min)**

**KPI 22 Average days lost per FTE through long-term sickness absence (Min)**

We have previously monitored the average days lost per employee for sickness absence across the authority to short-term sickness (KPI 07 a) and long-term sickness (KPI 07 b). These two existing KPIs will be replaced for the 2020/21 year with three new KPIs; which will monitor average days lost per FTE through short-term sickness absence (KPI 21) and long-term sickness absence (KPI 22). To provide a corporate overview, a third KPI is to be introduced measuring the average number of days lost per FTE across all categories of sickness (KPI 20).

**PI 32 Percentage of Major Planning Applications validated within 5 working days (Max)**

**PI 33 Percentage of Non-Major Planning Applications validated within 3 working days (Max)**

Previously we have monitored rates of planning application validation across all categories of application (PI 30). For 2020/21 PI 30 will be replaced with two new PIs, monitoring validation rates across two categories: major applications (PI 32) and non-major applications (PI 33). This will enable more effective benchmarking with guidelines established by the Ministry of Housing, Communities and Local Government.

14. If members have any questions regarding these targets, or would like to see a more detailed explanation in relation to any of the targets, then please do not hesitate to contact the report author.

**Risk Analysis**

15.

Risk	Likelihood	Impact	Mitigating actions
If performance indicators do not meet quarterly/annual targets then areas such as customer satisfaction and	2 – The majority of performance indicators perform on or above target. Where	2 – The majority of service areas in the council are customer-facing.	Performance is monitored by CMT and the Governance, Audit & Performance Committee on a quarterly basis. The inclusion of five

<p>statutory adherence to government-led requirements could be affected, leading to a loss of reputation for the Council.</p>	<p>necessary, accompanying notes on individual performance indicators detail improvement plans.</p>		<p>quarters of data helps to identify trends. Where necessary, the Performance Team provide trend analysis to support CMT and Service Managers in improving performance.</p>
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1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

Appendix A: 2020/21 KPI & PI Target Setting



## 2020/21 KPI & PI Target Setting

### Governance, Audit & Performance Committee – Tuesday 24<sup>th</sup> March 2020

**Key:** \* Cumulatively monitored      **max** Aim to maximise performance  
 # Quarterly targets profiled      **min** Aim to minimise performance

#### Directorate: CHIEF EXECUTIVE

Democratic & Electoral Services										
PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2020/21 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To
<b>PI 21</b> Percentage of minutes from meetings made available to the public within 10 working days (Max)	95%	95%	<b>95%</b>	95%	95%	95%	95%	<b>95%</b>	Ben Ferguson	Alistair Bochel

Legal Services										
PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2019/20 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To
<b>PI 06</b> Percentage of standard searches carried out in 10 working days (Max)	100%	100%	<b>100%</b>	100%	100%	100%	100%	<b>100%</b>	Simon Pugh	Jo Hayden

**Directorate: CORPORATE SERVICES**

<b>Benefits</b>										
<b>PI Code &amp; Short Name</b>	<b>2019/20 Target</b>	<b>2020/21 Original Target</b>	<b>2020/21 Proposed Target</b>	<b>Q1 2020/21 Target</b>	<b>Q2 2020/21 Target</b>	<b>Q3 2020/21 Target</b>	<b>Q4 2020/21 Target</b>	<b>2021/22 Target</b>	<b>Ownership Managed By</b>	<b>Ownership Assigned To</b>
<b>KPI 04</b> Accuracy of processing - HB/CTB claims (Max)	98.00%	98.00%	<b>98.00%</b>	98.00%	98.00%	98.00%	98.00%	<b>98.00%</b>	Angela Knight	Caroline Saych, Sarah Oxley, Jordan Dorn
<b>KPI 06 (a)</b> Time taken to process Housing Benefit/Council Tax Benefit new claims (Days) (Min)	22.0	21.0	<b>20.0</b>	20.0	20.0	20.0	20.0	<b>19.0</b>	Angela Knight	Simon Hayward, Caroline Saych, Jordan Dorn
<b>KPI 06 (b)</b> Time taken to process Housing Benefit/Council Tax Benefit change events (Days) (Min)	7.0	7.0	<b>7.0</b>	7.0	7.0	7.0	7.0	<b>6.0</b>	Angela Knight	Jordan Dorn, Simon Hayward, Caroline Saych

<b>Customer Services</b>										
<b>PI Code &amp; Short Name</b>	<b>2019/20 Target</b>	<b>2020/21 Original Target</b>	<b>2020/21 Proposed Target</b>	<b>Q1 2020/21 Target</b>	<b>Q2 2020/21 Target</b>	<b>Q3 2020/21 Target</b>	<b>Q4 2020/21 Target</b>	<b>2021/22 Target</b>	<b>Ownership Managed By</b>	<b>Ownership Assigned To</b>
<b>PI 44</b> Percentage of customer enquiries resolved at first point of contact (Max)	85.00%	86.00%	<b>86.00%</b>	86.00%	86.00%	86.00%	86.00%	<b>87.00%</b>	Paula Evans; Richard Auty	Alison Head; Jillma Jadav
<b>PI 50</b> Percentage of calls answered in less than 40 seconds (Max)	Newly introduced for 2020/21		<b>80.00%</b>	80.00%	80.00%	80.00%	80.00%	<b>80.00%</b>	Paula Evans; Richard Auty	Alison Head; Jillma Jadav

➤ Introduction of **PI 50**

This PI has been introduced to provide an overview of the speed of answer of calls within the Customer Services centre. This will be used to ascertain CSC training and development requirements, as well as identify opportunities to build knowledge within the CSC and to continue to support a 'right first time' philosophy.

Finance										
PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2020/21 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To
<b>KPI 01</b> Percentage of supplier invoices paid within 30 days of receipt by the Council (Max)	98.00%	98.00%	<b>98.00%</b>	98.00%	98.00%	98.00%	98.00%	<b>98.00%</b>	Emma Horner	Natasha Bourke
<b>PI 02</b> Average time (Days) to pay supplier invoices (Min)	11.0	11.0	<b>11.0</b>	11.0	11.0	11.0	11.0	<b>11.0</b>	Emma Horner	Natasha Bourke
Human Resources										
PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2020/21 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To
<b>KPI 07 (a)</b> Average number of days lost per employee through short-term sickness absence (Min) *	PI to be deleted									
<b>KPI 07 (b)</b> Average number of days lost per employee through long-term sickness absence (Min)	PI to be deleted									
<b>KPI 20</b> Average days lost per FTE through sickness absence (Min)	New for 2020/21		<b>8.00</b>	8.00	8.00	8.00	8.00	<b>7.00</b>	Nicola Roberts	Claire Croft

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<b>KPI 21</b> Average number of days lost per FTE through short-term sickness absence (Min)	New for 2020/21	<b>4.20</b>	4.20	4.20	4.20	4.20	<b>3.70</b>	Nicola Roberts	Claire Croft
<b>KPI 22</b> Average number of days lost per FTE through long-term sickness absence (Min)	New for 2020/21	<b>3.80</b>	3.80	3.80	3.80	3.80	<b>3.30</b>	Nicola Roberts	Claire Croft

- Deletion of **KPI 07 (a)**, **KPI 07 (b)** and introduction of **KPI 20**, **KPI 21** & **KPI 22**

**KPI 07 (a)** and **KPI 07 (b)** have previously monitored the average lost per employee for sickness absence across the authority, presenting both short-term and also long-term statistics. For the 2020/21 year, we are going to replace these two KPIs with three new KPIs, which will monitor average days lost per *FTE* through sickness absence. This will correlate with national guidance on the calculation of sickness statistics, and therefore enable more effective benchmarking.

**IT**

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PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2020/21 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To
<b>PI 20</b> Percentage of IT help Desk calls resolved within target (Max)	96.00%	96.00%	<b>96.00%</b>	96.00%	96.00%	96.00%	96.00%	<b>96.00%</b>	Nicola Wittman	Alan Mose

**Museum**

PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2020/21 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To
<b>PI 49</b> Users of the Museum Service (Max)#	13,200	13,200	<b>13,200</b>	3,500	3,500	3,000	3,200	<b>13,200</b>	Richard Auty	Carolyn Wingfield

Revenues										
PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2020/21 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To
<b>KPI 03</b> Percentage of Non-domestic Rates Collected (Max) *	98.80%	99.00%	<b>99.00%</b>	29.60%	58.40%	86.20%	99.00%	<b>99.00%</b>	Sue Ellis; Angela Knight	Adrian Marsh
<b>KPI 05</b> Percentage of Council Tax collected (Max) *	98.80%	98.80%	<b>98.80%</b>	29.60%	57.70%	85.80%	98.80%	<b>98.80%</b>	Sue Ellis; Angela Knight	Alastair Clarke
<b>KPI 16</b> Rent collected as percentage of rent owed (including arrears b/f) (Max) *	97.60%	97.50%	<b>98.00%</b>	29.00%	58.70%	85.40%	98.00%	<b>98.00%</b>	Sue Ellis; Angela Knight	Robert Patterson-Smith
<b>KPI 17</b> Local Council Tax Support Collection Rate (Max) *	89.00%	89.005	<b>89.00%</b>	25.00%	50.00%	69.00%	89.00%	<b>89.00%</b>	Sue Ellis; Angela Knight	Matthew Southall; Andy Bannister
<b>KPI 03</b> Percentage of sundry debt income overdue (debts over 90 days old not subject to a payment agreement) (Min)	4.0%	4.0%	<b>4.0%</b>	4.0%	4.0%	4.0%	4.0%	<b>4.0%</b>	Sue Ellis; Angela Knight	Matthew Southall; Andy Bannister
<b>PI 12</b> Housing Benefit (HB) recovered as a percentage of the total amount of recoverable HB overpayments (sundry debtors) (Max)	50.00%	50.00%	<b>TBC</b>	ANNUAL ONLY				<b>TBC</b>	Sue Ellis; Angela Knight	Matt Southall; Andy Bannister

➤ Targets for **PI 12**

We are currently in the process of reviewing this performance indicator, and working to benchmark with other authorities to consider the best way forwards in monitoring Housing Benefit recovery. It is important to continue to corporately monitor the level of Housing Benefit recovered as a proportion of recoverable HB overpayments, however we must consider that the introduction and ongoing roll-out of Universal Credit is potentially skewing the quantities of Housing Benefit which could be considered as recoverable. With many more claimants now qualifying for Universal Credit, legacy HB overpayments have become more significant in the overall amount of recoverable Housing Benefit owed, so therefore we need to work to reconsider targets.

**Directorate: PUBLIC SERVICES**

<b>Communities</b>										
PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2020/21 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To
<b>PI 07</b> The Level of Achievement attained under the Equality Framework for Local Government (Years) (Max)	2 (Achieving)	2 (Achieving)	<b>2 (Achieving)</b>	2 (Achieving)	2 (Achieving)	2 (Achieving)	2 (Achieving)	<b>2 (Achieving)</b>	Roz Millership	Fiona Gardiner

<b>Economic Development</b>										
PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2020/21 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To
<b>PI 43</b> Percentage of premises with access to superfast/ultrafast broadband in Uttlesford (Max)	92%	98%	<b>99%</b>	ANNUAL ONLY				<b>99%</b>	Gordon Glenday	Simon Jackson

<b>Environmental Health (Commercial)</b>										
PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2020/21 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To

<b>PI 41</b> Percentage of routine food hygiene premises inspections completed within the quarter (Max)	98%	98%	<b>98%</b>	98%	98%	98%	98%	<b>98%</b>	Roz Millership	Tony Cobden
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<b>Housing Strategy &amp; Operations</b>										
PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2020/21 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To
<b>KPI 08 (a)</b> Average re-let time in days (all re-lets including time spent in works) (Min)	42.00	42.00	<b>42.00</b>	42.00	42.00	42.00	42.00	<b>35.00</b>	Roz Millership; Judith Snares	Peter Lock; Uttlesford Norse
<b>PI 16</b> Number of households living in temporary accommodation (Min)	14	14	<b>18</b>	18	18	18	18	<b>18</b>	Roz Millership; Judith Snares	Susan Yates; Becca Collins

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➤ **PI 16** – Difference between 2020/21 Original Target & 2020/21 Proposed Target

Explanation - Despite the aim being to minimise outturn values, it has been necessary to increase this target due to an increase in the number of people we have a duty to accommodate who have presented as homeless.

<b>Planning: Support &amp; Advice</b>										
PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2020/21 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To
<b>PI 30</b> Percentage planning applications validated within 5 days (Max)	PI to be deleted									

<b>PI 32</b> Percentage of Major Planning Applications validated within 5 working days (Max)	Newly introduced for 2020/21	<b>80.00%</b>	75.00%	85.00%	75.00%	85.00%	<b>85.00%</b>	Gordon Glenday	Ann Howells
<b>PI 33</b> Percentage of non-major planning applications validated within 3 working days (Max)	Newly introduced for 2020/21	<b>80.00%</b>	75.00%	85.00%	75.00%	85.00%	<b>85.00%</b>	Gordon Glenday	Ann Howells

➤ Deletion of **PI 30**

Performance monitoring of the validation of planning applications has been changed for the 2020/21 year. **PI 30** has previously monitored application validation across all types of application, however for the 2020/21 year we will split this monitoring across two categories: major (**PI 32**) and non-major (**PI 31**) applications. Monitoring in this manner will align with the Ministry of Housing, Communities & Local Government's statutory guidance for application validation, which highlight that we should aim to validate major applications within 10 working days and non-major applications within 5 working days; thereby enabling more effective benchmarking.

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Planning: Development Management										
PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2020/21 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To
<b>KPI 11</b> Processing of planning applications: Major applications (within 13 weeks or including any agreed extension of time) (Max)	60.00%	60.00%	<b>60.00%</b>	60.00%	60.00%	60.00%	60.00%	<b>60.00%</b>	Gordon Glenday	Ann Howells; Nigel Brown
<b>KPI 12</b> Processing of planning applications: Minor applications (within 8 weeks or including any agreed extension of time) (Max)	75.00%	75.00%	<b>75.00%</b>	75.00%	75.00%	75.00%	75.00%	<b>75.00%</b>	Gordon Glenday	Ann Howells; Nigel Brown
<b>KPI 13</b> Processing of planning applications: Other applications (within 8 weeks or including any agreed extension of time) (Max)	82.00%	82.00%	<b>82.00%</b>	82.00%	82.00%	82.00%	82.00%	<b>82.00%</b>	Gordon Glenday	Ann Howells; Nigel Brown

<b>PI 24 (d)</b> Quality of Decisions: Percentage of Appeals Upheld for Enforcement Notices (Min)	30.00%	30.00%	<b>30.00%</b>	30.00%	30.00%	30.00%	30.00%	<b>30.00%</b>	Gordon Glenday	Ann Howells; Nigel Brown
<b>PI 46</b> Quality of Decisions: Percentage of Appeals Upheld for Major Planning Applications (Min) #	30.00%	30.00%	<b>30.00%</b>	30.00%	30.00%	30.00%	30.00%	<b>30.00%</b>	Gordon Glenday	Ann Howells; Nigel Brown
<b>PI 47</b> Quality of Decisions: Percentage of Appeals Upheld for Non-Major Planning Applications (Min) #	30.00%	30.00%	<b>30.00%</b>	30.00%	30.00%	30.00%	30.00%	<b>30.00%</b>	Gordon Glenday	Ann Howells; Nigel Brown

Planning Policy										
PI Code & Short Name	2019/20 Target	2020/21 Original Target	2020/21 Proposed Target	Q1 2020/21 Target	Q2 2020/21 Target	Q3 2020/21 Target	Q4 2019/20 Target	2021/22 Target	Ownership Managed By	Ownership Assigned To
<b>PI 26</b> Net additional homes provided (Max)	633	723	<b>715</b>	ANNUAL ONLY				<b>715</b>	Gordon Glenday	Stephen Miles
<b>PI 31</b> Five year supply of ready to develop housing sites (Years) (Max)	5.25	5.00	<b>5.00</b>	ANNUAL ONLY				<b>5.00</b>	Gordon Glenday	Stephen Miles
<b>PI 28</b> CO2 reduction from local authority operations - Percentage reduction (Max)	2.0%	TBC	<b>TBC</b>	ANNUAL ONLY				<b>TBC</b>	Gordon Glenday	Mark Wilson

➤ **PI 26** - Difference between Original 2020/21 Target and Proposed 2020/21 Target

Explanation – The Council’s housing requirement is established by the standardised methodology of the National Planning Policy Framework. With new data releases and new base years, this requirement will change over time, and hence the target will change accordingly.

➤ **PI 28**

This PI is currently under review whilst we work to establish corporate projects for reducing carbon emissions across the authority. It is intended this target will be ambitious given the climate emergency motion, however we need to quantify projected emission reductions from projects being discussed before setting a target.

Street Services										
PI Code & Short Name	2018/19 Target	2019/20 Original Target	2019/20 Proposed Target	Q1 2019/20 Target	Q2 2019/20 Target	Q3 2019/20 Target	Q4 2019/20 Target	2020/21 Target	Ownership Managed By	Ownership Assigned To
<b>KPI 14</b> Percentage of household waste sent for reuse, recycling and composting (LAA) (Max) #	51.00%	51.50%	<b>51.50%</b>	51.50%	51.50%	51.50%	51.50%	<b>52.00%</b>	Ben Brown	Becky Tomkins
<b>KPI 15 (b)</b> Percentage of collections of waste and recyclables successfully made on first visit (Max)	99.95%	99.95%	<b>99.95%</b>	99.95%	99.95%	99.95%	99.95%	<b>99.95%</b>	Ben Brown	Becky Tomkins
<b>PI 34</b> Residual household waste per household (Kg) (Min)	410	405	<b>400</b>	ANNUAL ONLY				<b>395</b>	Ben Brown	Becky Tomkins
<b>PI 40</b> Number of subscribers to the garden waste collection service (Max)	8,000	9,000	<b>9,250</b>	ANNUAL ONLY				<b>9,250</b>	Ben Brown	Becky Tomkins
<b>PI 48</b> Attainment of 'Green' for Operator Compliance Risk Score (Yes or No)	Yes	Yes	<b>Yes</b>	Yes	Yes	Yes	Yes	<b>Yes</b>	Ben Brown	Danny Johnson

➤ Changes to Target Profiling for **KPI 14**

During the last few years it has been clear that there are significant quarterly fluctuations in performance in relation to target across the year; primarily due to variations in garden waste quantities being recycled. During 2020/21 we will still monitor this performance indicator on a quarterly basis, but intend to keep the target the same across the quarters and monitor the year-to-date percentage of household waste sent for reuse, recycling and composting. Throughout the 2020/21 year, it is hoped this will provide a more effective overview of performance in relation to the annual target of 51.50%.

**Committee:** Governance, Audit and Performance Committee

**Date:**

Tuesday, 24 March 2020

**Title:** 2019/20 Corporate Risk Register Update

**Report Author:** Paula Evans, Customer Services and Performance Manager

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## Summary

1. This report presents an update of the 2019/20 Corporate Risk Register along with background information pertaining to its development. It also gives details of how risks are managed at a service area level within the authority.

## Recommendations

2. None

## Financial Implications

3. There are no direct financial implications associated with this report other than the risk directly addressing Financial Control (**19-CR-01**).

## Background Papers

4. None

## Impact

- 5.

Communication/Consultation	Internal communication on risk management is required through CMT and SMT meetings.
Community Safety	None
Equalities	None beyond general management of equality and diversity impacts for identified risks.
Health and Safety	Health and Safety risks are managed where appropriate.
Human Rights/Legal Implications	None

Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

## Situation

6. Appendix A shows the 2019/20 Corporate Risk Register (CRR), its current risk scores and information regarding the status of any control (mitigating) actions.
7. The CRR consists of a number of strategic cross-cutting risks which if not controlled, could have a serious impact on the council's ability to carry out both its statutory and non-statutory duties to residents.
8. Whilst the Performance Team co-ordinate the review and update process for the CRR, the Chief Executive Officer and Directors have responsibility for the register and specific risks contained therein. Control of the risks and the implementation of associated mitigating actions is co-ordinated through the Corporate Management Team.
9. The council also has a series of service level risks that are identified as part of its annual Service Planning process. These risks are focused on operational threats that could impact day-to-day service provision. Each Service Manager has responsibility for identifying risks within their area(s) of jurisdiction, the associated risk scores and any control actions.
10. As part of the 2020/21 Service Planning process, the council has refreshed its approach to reviewing service level risks. As part of a formal quarterly Performance Review, Service Managers will be asked to review and update their service level risks and control actions which will then be presented to CMT by the Performance Team. This will provide re-assurance to CMT that service level risks are being managed to an acceptable level.
11. The structure, format and control of risks is consistent across both corporate and service level registers; each identifies a cause of a risk occurring, the event that creates the risk and the potential it may have on the council and/or service area. This arrangement has derived from the Risk Management Policy that was introduced in 2017/18.

## Review of the Corporate Risk Register

12. The CRR is presented to the Governance Audit and Performance Committee on a bi-annual basis. Each risk has been reviewed during February 2020 to clarify current controls and risk scores and identify any further control actions still to be implemented. A written progress update for each risk has also been included, providing detail on relevant risk mitigation measures.

13. Following review of the register at the Governance Audit and Performance Committee meeting in September 2019 the following updates have been made:

**19-CR-07: Governance Risk**

CMT members discussed the concerns raised by Cllr Khan regarding this risk and his questioning of whether governance is managed robustly enough through this at a corporate level. A progress update has been given by CMT and incorporated in Appendix A.

**19-CR-09: Local Plan Risk**

Following a request from Cllr Storah to confirm the definition of the risk being managed in this instance, CMT have updated the risk wording to clarify this position. The revised wording is contained in Appendix A.

14. Members are asked to note the inclusion of a new risk to the CRR; **19-CR-11**.

This risk has been introduced by CMT following a review of the Fraud Risk Assessment and Action Plan in November 2019. Service level risks will also be introduced for 2020/21 for those service areas at higher risk of fraud such as Revenues, Benefits, Housing and Finance.

**Risk Analysis**

15.

Risk	Likelihood	Impact	Mitigating actions
If risks are not properly identified or managed then preventable problems could occur and affect the council's finances, reputation or resources. Conversely opportunities to improve these aspects may be underutilised.	2 – The Corporate Risk register ensures a continuing and ever-evolving focus on the key risks affecting the council.	3 – The Corporate Risk Register focuses upon key issues at all levels of the organisation.	The Council's Risk Management Policy and Corporate Risk Register ensure effective risk management is placed centrally within its operations.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.



## Corporate Risk Register 2019/20

### Governance, Audit & Committee Update – 24<sup>th</sup> March 2020

#### Likelihood Scores

Score	Probability
1 (Little Likelihood)	Less than 10%
2 (Some Likelihood)	10% to 50%
3 (Significant Likelihood)	51% to 90%
4 (Near Certainty)	More than 90%

#### Impact Scores

Score	Impact Level on Strategic Objectives
1	Minor impact/delay/difficulty
2	Small impact/delay/difficulty
3	Considerable impact/delay/difficulty
4	Extreme impact/delay/Difficulty

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Each risk score for likelihood and impact is plotted onto a risk matrix to produce its score. A green score indicates risks which the organisation is most prepared to accept and red those which are less likely to be accepted.

LIKELIHOOD	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
		1	2	3	4
		IMPACT			

19-CR-01 FINANCIAL CONTROL							
<p><b>If the council does not implement and sustain a robust 5 year financial strategy then reserves may be inadequate to meet unforeseen circumstances leaving the council with undue financial pressures</b></p>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls		
	AW		<b>2</b>	<b>4</b>	<b>8</b>	<ul style="list-style-type: none"> <li>• Monthly budget monitoring – Revenue and Capital (including HRA)</li> <li>• Quarterly budget monitoring to Members</li> </ul>	
			Current Likelihood	Current Impact	Current Score	Further Action	
			<b>2</b>	<b>4</b>	<b>8</b>	<ul style="list-style-type: none"> <li>• Actively seeking more major investments</li> </ul>	
			Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
	<b>1</b>	<b>4</b>	<b>4</b>	CMT	31.03.2020		
<p><b><u>PROGRESS UPDATE (March 2020)</u></b></p> <p>The Commercial Strategy, approved as part of the budget set in February 2020, allocates £300million for commercial investments which will underpin the costs of service delivery over the next 5 years. This strategy will reduce the need to draw upon Reserves.</p>							

19-CR-02 BUSINESS CONTINUITY						
<p><b>If the council does not have sufficient and robust corporate resilience and Business Continuity management then a major disruptive event could impact staff, property, or systems and networks leading to a reduction in service delivery, damage to organisational reputation or significant financial loss</b></p>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	RH	2	3	6	• Existing Business Continuity Plans	
		Current Likelihood	Current Impact	Current Score	Further Action	
		2	3	6	<ul style="list-style-type: none"> <li>• CMT to approve Corporate Business Continuity Plan</li> <li>• Service Business Continuity Plans to be reviewed/prepared by service managers for approval</li> <li>• Update corporate and service BCPs annually</li> <li>• Testing of existing Business Continuity Plans</li> </ul>	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	3	3	Service Managers (SMT)	31.03.2020		
<p><b><u>PROGRESS UPDATE (February 2020)</u></b></p> <ul style="list-style-type: none"> <li>• Part time Emergency Planning Officer (EPO), a shared resource with Essex County Council, has been recruited.</li> <li>• EPO has completed a review of the Corporate Business Continuity Plan, and existing policies and procedures.</li> <li>• An updated Corporate Business Continuity Plan was completed in January 2020.</li> </ul>						

19-CR-03 HEALTH AND SAFETY							
<p><b>If the council does not manage the Health and Safety and welfare of its general public, visitors and staff then it will not be meeting its statutory organisational responsibilities leading to a loss of reputation as a responsible employer, potential involvement in legal action or loss of life or serious injury</b></p>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls		
	AW		<b>1</b>	<b>4</b>	<b>4</b>	<ul style="list-style-type: none"> <li>• Regular H&amp;S Audits/Training/Risk Assessments</li> <li>• Up-to-date Policies and Procedures</li> </ul>	
		Current Likelihood	Current Impact	Current Score	Further Action		
			<b>1</b>	<b>4</b>	<b>4</b>	<ul style="list-style-type: none"> <li>• Ongoing maintenance of systems, procedures and reporting</li> </ul>	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date	
	<b>1</b>	<b>4</b>	<b>4</b>	RM/TC	31.03.2020		

**PROGRESS UPDATE (March 2020)**

A Health & Safety audit based upon the HSG 65 guidance published by the Health and Safety Executive has been undertaken and a positive outcome achieved. Additional work needed in some areas is currently being addressed. The internal Safety Advisor’s Team (SAT) is meeting regularly.

19-CR-04 PEOPLE							
<p><b>If the council's workforce is not reviewed and developed then it may hinder its ability to support transformational programmes and service delivery leading to an inability to achieve corporate objectives, retain and recruit staff and loss of reputation</b></p>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls		
	AW		<b>2</b>	<b>3</b>	<b>6</b>	<ul style="list-style-type: none"> <li>Transformational projects identified corporate planning process and staff resources identified to deliver.</li> </ul>	
			Current Likelihood	Current Impact	Current Score	Further Action	
			<b>2</b>	<b>3</b>	<b>6</b>	<ul style="list-style-type: none"> <li>Workforce Strategy ("People Plan") to be developed as per LGA peer review recommendation in order to identify organisational needs for the coming years and put in place actions to address those needs.</li> </ul>	
			Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
	<b>1</b>	<b>3</b>	<b>3</b>	RA	31.03.2020		
<p><b><u>PROGRESS UPDATE (February 2020)</u></b></p> <p>A new HR Manager is now in place and work on developing a Workforce Strategy has begun. A new cohort is in the process of undertaking the Institute of Leadership and Management Level 5 qualification, including project work looking at succession planning and workforce development issues. Two officers have recently completed the #LGE2019 Whole System Leadership Course, bringing increased leadership capacity to the Senior Management Team level of the organisation.</p>							

## 19-CR-05 DATA PROTECTION

<p><b>If the council does not adopt and implement Data Protection controls then there may be a loss of data, inadequate data handling, unlawful sharing of data or security breaches leading to loss of public and partner confidence, reputational damage, breach of legislation and financial loss due to fines</b></p>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	DF	2	4	8	<ul style="list-style-type: none"> <li>E-learning module for all staff</li> <li>Use, storage and sharing protocols</li> <li>Building and IT security</li> </ul>	
		Current Likelihood	Current Impact	Current Score	Further Action	
		2	4	8	<ul style="list-style-type: none"> <li>Learning, reflection and sharing of good practice arising from implementation of GDPR, in particular advice from the ICO; monitoring of subject access requests; appointment of permanent DPO; monitoring of new procedures introduced to the organisation; establishment of Information Governance Group; regular reports to the Corporate Management Team.</li> </ul>	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	4	4	Project team, led by SP	31.03.2020		

**PROGRESS UPDATE (February 2020)**

The GDPR implementation project has been completed and the organisation has moved forward significantly. An Information Governance Group has been established, chaired by the Assistant Director for Governance & Legal, on which representatives from across the organisation attend; this group receives a regular update on progress against new tasks identified and approved by that group, providing a strengthened governance role around this work. This group reports to the Chief Executive and Corporate Management Team. All new processes and services are now subject to a data protection assessment, to identify the risks and introduce mitigation measures as part of implementation. The review of the documentation policy remains outstanding but will be completed by March 2020. The large intake of new members following the election in May has created an additional area of work to ensure they are fully aware of their role in data protection. We remain ambitious to reduce the likelihood to 1 through the range of proactive measures by increasing the organisational awareness;

however, this is an area in which simple human error will always be a risk. New monitoring measures for Freedom of Information requests and Environmental Information Regulations requests are now in place. Service Managers now have access to a working spreadsheet, which highlights the current status of all requests; thereby improving the management and monitoring of requests.

#### 19-CR-06 INFORMATION TECHNOLOGY

<b>If the council does not ensure resilient and robust IT security is in place then the organisation may be exposed to network vulnerabilities such as cyber-attacks and system failures leading to reputational damage, liability issues, loss of service provision and reputation</b>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls		
	AW		<b>3</b>	<b>4</b>	<b>12</b>	<ul style="list-style-type: none"> <li>• The majority of ICT systems are held off site in data centres</li> <li>• Windows operating system security patches are updated</li> <li>• Members of CERT-UK WARP (<b>W</b>arning, <b>A</b>dvice and <b>R</b>eporting Point) part of the Centre for protection of National Infrastructure. It provides us with privileged access to cyber threats.</li> </ul>	
			Current Likelihood	Current Impact	Current Score	Further Action	
			<b>2</b>	<b>4</b>	<b>8</b>	<ul style="list-style-type: none"> <li>• Further investment in system security</li> <li>• Robust recovery plan</li> <li>• Continued investment in cyber security and training</li> </ul>	
			Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
	<b>2</b>	<b>4</b>	<b>8</b>	NW	31.03.2020		

#### PROGRESS UPDATE (February 2020)

The Council has been working in conjunction with the LGA stocktake to identify areas of risk and implement systems to reduce the likelihood and impact of a cyber-attack. A year ago the council scored an Amber-Amber rating and this has now improved to an Amber – Green rating indicating significant progress in reducing the likelihood. The impact will always remain as high.

19-CR-07 GOVERNANCE						
<p><b>If the council does not have a clear and robust governance framework understood and adhered to by councillors and officers then this could lead to ineffective and potentially unlawful decision-making, resulting in financial and reputational loss, ineffective service provision, maladministration and legal challenge.</b></p>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	DF	2	4	8	<ul style="list-style-type: none"> <li>Annual Governance Statement</li> <li>Have a documented constitution, which is regularly reviewed</li> <li>Adopted corporate plan and service plans</li> </ul>	
		Current Likelihood	Current Impact	Current Score	Further Action	
		2	4	8	<ul style="list-style-type: none"> <li>Review corporate governance framework in accordance with CIPFA guidance notes</li> <li>Update training/awareness</li> <li>Roll out the use of mod.gov to all staff and members including the recording and public of key decisions.</li> </ul>	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	4	4	SP	31.03.2020		
<p><b><u>PROGRESS UPDATE (February 2020)</u></b></p> <p>The implementation of mod.gov has substantially improved the governance of formal decision making. A significant member development programme has been implemented for all members following the elections in May 2019, which included topics on the Constitution and effective decision making. The programme has received very positive feedback and results of a survey have been analysed to ensure further improvements as the next phase of the programme is delivered. The Council has used the services of a number of barristers to support members in determining a number of significant matters arising early in their term of office. The full review of the corporate governance framework has been put on hold pending a member-led review of the Council's governance arrangements.</p>						

## 19-CR-08 SERVICE DELIVERY

<p><b>If the council does not achieve its key priorities and objectives and service plans then opportunities to improve the wellbeing of the community and protect the character of the district will be missed leading to dissatisfied residents and stakeholders, reputational damage and potential government intervention</b></p>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	DF	1	4	4	<ul style="list-style-type: none"> <li>Adopted corporate plan, delivery plan and service plans</li> <li>Budget and MTFs to support delivery</li> <li>Regular performance monitoring and reporting to CMT, Cabinet &amp; GAP</li> </ul>	
		Current Likelihood	Current Impact	Current Score	Further Action	
		1	4	4	<ul style="list-style-type: none"> <li>Produce corporate governance framework</li> </ul>	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	4	4	SP	31.03.2020		

**PROGRESS UPDATE (February 2020)**

The organisation has continued to work to the Council's priorities agreed by Council in February 2019 and a delivery plan approved in March. Work to progress the new Administration's priorities was hindered by the Parliamentary General Election held in December 2019, which has resulted in a fixed budget being allocated for member priorities. Some work is progressing on the corporate governance framework and aligning it to the CIPFA recommended presentation.

The 2020/21 Service Planning Process is now underway, and Service Managers are currently drafting their 2020/21 Service Plans. The performance management framework involving PIs, Service-level Risks and Service Plan Actions has been advanced, to further ensure service delivery is regularly monitored and improved. This process has been intrinsically linked to the 2020/21 budget setting process, with managers being asked to identify Service Plan actions within their service which relate to budget matters such as efficiencies or new income streams. Once the 2020/21 Corporate Plan Delivery Plan has been adopted by Cabinet, managers will also be asked to identify actions within their service area which relate to the delivery of the Council's priorities. Service-level risk management has also been re-launched, with risks identified in five categories which broadly relate to risks within the Corporate Risk Register: Finance, IT, Assets, People & Service Delivery. Service Managers will be required to update internal controls and risk scores on a quarterly basis, and these updates will be

reviewed by CMT. Cabinet members continue to monitor KPI and PI data prior for formal consideration by GAP. At the March meeting of GAP, members will be asked to agree to proposed 2020/21 KPI & PI targets.

### 19-CR-09 LOCAL PLAN

<p><b>If the council does not have an approved local plan then it could impact on finances, planning resources and application decisions, leading to a loss of reputation; speculative and unsustainable development; potential intervention by the MHCLG; the inability to bid for government funding and the inability to recruit and retain high calibre staff</b></p>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	RH	2	4	8	<ul style="list-style-type: none"> <li>Local Plan Project Board</li> <li>Planning Policy Working Group</li> </ul>	
		Current Likelihood	Current Impact	Current Score	Further Action	
		4	4	16	<ul style="list-style-type: none"> <li>Legal advice</li> <li>Decision making as to the appropriate way forward</li> </ul>	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	4	4	CMT	This will depend on the option that the Council chooses. If the plan is withdrawn then achieving an adopted Local Plan will take longer.		

#### PROGRESS UPDATE (February 2020)

The local plan was submitted as programmed, in January 2019. Two Planning Inspectors were subsequently appointed by the Secretary of State in February 2019. The Inspectors' initial Matters, Issues and Questions (MIQs) were addressed in May 2019. The Local Plan Hearings Stage 1 started on 2<sup>nd</sup> July and came to a close on 18<sup>th</sup> July, having sat for six days in total. The Inspectors' letter relating to the first stage of hearings has been received by the Council, and it indicates that Inspectors have serious concerns and are of the view that it is likely the plan should be withdrawn. The Council is currently engaging legal advice and seeking to come to decision as to the most appropriate way forward.

## 19-CR-10 EU EXIT

<p><b>If the council does not prepare for the short term outcome and implications of the UK exiting from the EU Exit then staff, partners, residents, businesses and visitors may be adversely affected resulting in the reputation of the council being damaged</b></p>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	RH	4	3	12	<ul style="list-style-type: none"> <li>For the transition period following EU withdrawal on 31 January 2020 to 31 December 2020, new systems for controlling food imports and exports with third countries, and monitoring movements within the EU will apply.</li> <li>Withdrawal Act ensures that there is legal certainty over areas of law that impact on the council's activities</li> </ul>	
		Current Likelihood	Current Impact	Current Score	Further Action	
		2	4	8	<ul style="list-style-type: none"> <li>Training for and testing of UK replacement systems for controlling food imports and exports from all other countries including the EU</li> <li>Continued review of potential implications on the authority</li> </ul>	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
1	3	3	CMT	31.03.2020		

**PROGRESS UPDATE (February 2020)**

- Following the UK's exit from the EU on 31 January 2020, the Withdrawal Agreement with the EU provides for a Transition period
- The Transition Period provides continuity up to 31 December 2020. During the Transition Period, the government will seek to agree its future relationship with the EU. It has stated that it is not prepared to seek any extension of the transitional arrangements. It is possible that agreement will not be reached. The financial implications will be explored and reported as national plans become clearer. Senior officers are liaising with the MHCLG and attending workshops as appropriate.
- Officers are participating in discussions regarding border controls and systems, and monitoring the Settlement Scheme for EU Citizens.
- Resources are being made available (together with security clearance) to support airport activity before and immediately after the UK exits.
- Procurement issues such as EU processes and systems and contracts to establish any supply issues are being reviewed.

- Withdrawal of access to grants currently received from the EU and the opportunity to 'bid' for replacement funds from the UK government are being monitored.
- Together with the Essex Resilience Forum and the Resilience and Emergency Division of the MHCLG, risks relating to fuel, food, transport, animal welfare and medicines are being monitored.
- Business Continuity plans are being refreshed to ensure that risks not specific to EU Exit but which may arise can be managed (e.g. staff shortage).
- The EU Exit is a standing item on the CMT agenda to maintain visibility and aid communication.
- The EU Exit is a standing item on the Essex Chief Executives' association agenda.
- Officers are keeping under review the Government's technical notes and information shared by the LGA.

## 19-CR-11 FRAUD

<p><b>If the council does not prevent, detect and respond effectively to incidents of fraud and corruption, this could result in financial loss, detrimental impact on services, risks to wellbeing and reputational loss.</b></p>	Owner	Original Likelihood	Original Impact	Original Score	Current Controls	
	SP	3	2	6	<ul style="list-style-type: none"> <li>• Ongoing work of the Counter Fraud &amp; Corruption Working Group to raise aware across the authority</li> <li>• Corporate Policies in place, e.g. Corporate Counter-Fraud &amp; Corruption Strategy</li> <li>• Participation in National Fraud Initiative</li> </ul>	
		Current Likelihood	Current Impact	Current Score	Further Action	
		3	2	6	<ul style="list-style-type: none"> <li>• Implementation of Management Action Plan, following Fraud Risk Assessment 2019</li> <li>• NFI 2020/21 Main Exercise</li> <li>• Revision of the Whistleblowing Policy</li> <li>• Counter Fraud Awareness Publicity Campaign</li> </ul>	
		Target Likelihood	Target Impact	Target Score	Action owner	Planned Completion date
	2	2	4	CMT	31.03.2020	

**PROGRESS UPDATE (March 2020)**

The Council's revised Counter Fraud Strategy and Policies were published in April 2019, and available on the Council website. Ongoing work of the Counter Fraud & Corruption Working Group continues to raise corporate awareness of Fraud, and work to improve the prevention and detection of incidents. During the 2020/21 Service Planning process, actions relating to the management of fraud at the service-level will be included in Service Plans for areas where the risk of fraud and corruption is most significant.

During 2019, Internal Audit carried out a Fraud Risk Assessment of the Council's current level of counter fraud activities and fraud awareness. Results highlighted that whilst the Council is demonstrating an increasing level of fraud awareness that further actions should be implemented to meet all of CIPFA's recommendations for fighting Fraud and Corruption. A Management Action Plan was drawn up containing eight recommendations, five of which have been implemented, and three partially implemented.

Continued participation in the National Fraud Initiative ensures potentially fraudulent claims, errors and overpayments are identified, and investigated with other partnered organisations as necessary. The most recent exercise was undertaken in the 2018/19 year, and data has just been submitted for the main 2019/20 Council Tax Single Person Discount Exercise.

# Agenda Item 17

**Committee:** Governance, Audit and Performance Committee

**Date:**

Tuesday, 24 March 2020

**Title:** Governance, Audit and Performance Committee Annual Report

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## Summary

1. There is a requirement under the Council's Constitution for the Chairman of the Committee to report annually to Full Council.
2. This report summarises the key work of the Committee in 2018/19.

## Recommendations

3. The Committee approves the report.

## Financial Implications

4. None

## Background Papers

5. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

None

## Impact

- 6.

Communication/Consultation	The report is being considered by Governance, Audit and Performance Committee members ahead of Full Council
Community Safety	None
Equalities	None
Health and Safety	None
Human Rights/Legal	None

Implications	
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

### **Situation**

7. There is a requirement under the Council's Constitution for the Chair of the Committee to report annually to Full Council. This occurs at the April Full Council meeting.
8. The information below will form the report the Chair will give to the meeting and summarises the key work of the Committee in the 2019/20 year.

### **External Audit**

9. BDO has been appointed as the Council's auditors following the expiry of the previous external audit contract with EY
10. BDO undertook the audit of the 2018/19 accounts.
11. The Council received an unqualified opinion on the financial statements for the 10<sup>th</sup> consecutive year. BDO found that the Council has proper arrangements in place to secure value for money in its use of resources.
12. The Council published its draft accounts by the 31 May deadline and the final Statement of Accounts was approved at a meeting of the committee on 30 July 2019. This had been adjourned from 25 July due to an outstanding issue that required additional consultation and clarification between the actuary and auditors, relating to the pension fund.
13. The annual audit of the Housing Benefit Subsidy Claim was completed by BDO and presented at the March 2020 committee meeting.
14. For the second year, the error rate was so low that the Council actually gained subsidy payment rather than having to repay the Department for Work and Pensions due to processing and calculation errors. The Council's accuracy rate was just under 99 per cent on a total claim value of £13.7 million.

### **Internal Audit**

15. During the course of the year the Committee has reviewed the work of Internal Audit through quarterly monitoring reports and received the Audit Manager's Annual Report and Opinion, which concluded that risks material to the achievement of the objectives for the audited areas identified by Internal Audit were satisfactorily managed and controlled. The Committee considered and approved the Annual Governance Statement for 2018/19 which is published with the Council's Statement of Accounts.

16. During the 2019/20 year the Committee also received:

- The Internal Audit Strategy and Programme 2019/20
- A report on Internal Audit Counter Fraud and Corruption work and the Annual Fraud Plan
- The 2020 Internal Audit Charter and draft work programme for the forthcoming year

17. Due to the May 2019 election and the number of new members on the committee, a self-assessment exercise was not carried out in 2019/20.

### **Constitutional and Electoral Matters**

18. During 2019/20 the Committee were asked to consider two such matters.

19. The results of a Polling District and Polling Places Review were presented to the Committee for approval. Under the Electoral Registration and Administrations Act 2013, councils have a statutory duty to carry out a review every five years.

20. The purpose of the review is to:

- seek to ensure that all electors have such reasonable facilities for voting as are practicable in the circumstances; and
- so far as is reasonable and practicable, the polling places are accessible to all electors, including those who are disabled

21. Following public consultation in late summer and Autumn 2019, a revised Scheme was approved by the Committee in January 2020.

22. Also in January 2020, the Committee discussed a report containing recommendations from a Planning Committee working group to enhance public participation in Planning Committee meetings.

23. As public participation rights form part of the Council's constitution, changes are reserved for Full Council on recommendation from the Governance, Audit and Performance Committee.

24. The recommendations, which had been trialled at Planning Committee since August, were to:

- extend the maximum period of time allowed for town/parish council representatives to speak
- extend the maximum period of time allowed for public speakers
- remove the limit on the number of public speakers

- introduce a maximum period of time for applicants/agents/developers to speak
  - allow town/parish council representatives to clarify statements of fact made by applicants/agents, and
  - allow a limited number of town/parish council representatives to attend and participate in site visits
25. Committee members added to the working group's recommendations by extending the right to clarify statements of fact made by applicants/agents to include district and county councillors.
26. The Committee's recommendations regarding Planning Committee meetings were adopted by Full Council on 10 March 2020.

### **Performance and Risk**

27. The Committee undertakes detailed quarterly monitoring of the Council's key performance indicators and a further set of supporting indicators. Service performance in 2019/20 has in the main remained strong. Areas of discussion during the year have included planning application processing time, upheld planning appeals and recycling rates.
28. The committee also reviews on a bi-annual basis the Council's Corporate Risk Register. The main issues raised were around the financial and staff resource risk to not having an approved Local Plan and whether risks relating to governance were featured prominently enough in the Register, and whether they were scored appropriately.

### **Procurement**

29. The Committee has continued to receive bi-annual summaries of procurement activity in the Council, including details of contracts let over £50,000 and instances where exceptions to Contract Procedure Rules had been requested.

### **Ombudsman Annual Review**

30. The Local Government and Social Care Ombudsman's annual review letter was presented to the Committee in September 2019. The Committee noted the Ombudsman had received nine complaints about the Council in the year ending 31 March 2019. In four cases the complaints were closed after initial enquiries and three were determined 'not upheld' with the Ombudsman deciding there was no fault against the Council.
31. The remaining two cases were referred back for local resolution as they were considered premature by the Ombudsman.

### **Cyber Security**

32. From April 2019 councils were required by the Local Government Association to report regularly on work undertaken in respect of cyber security.

33. The Governance, Audit and Performance Committee now receives bi-annual updates on the work being done in this area. In addition, the council was required to appoint a lead member to be responsible for oversight of cyber security. Cllr de Vries was appointed by the Committee to this role.
34. During the course of the year, the Council successfully bid for funding of £11,400 to improve cyber security. The money was used for staff training to develop departmental business continuity plans, a cyber exercise for ICT staff and senior managers and for further cyber-specific training and enhanced security software.
35. As a result, the Council's rating on an annual self-assessment undertaken each summer improved from Amber-Amber to Amber-Green.