

Borough Council of  
**King's Lynn &  
West Norfolk**



# **Audit Committee**

## **Agenda**

**Monday, 30th July, 2018**  
at 5.00 pm

in the

**Council Chamber**  
**Town Hall**  
**Saturday Market Place**  
**King's Lynn**

Borough Council of  
**King's Lynn &  
West Norfolk**



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20 July 2018

Dear Member

**Audit Committee**

You are invited to attend a meeting of the above-mentioned Panel which will be held on **Monday, 30th July, 2018 at 5.00 pm** in the **Council Chamber, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ** to discuss the business shown below.

Yours sincerely

Chief Executive

**AGENDA**

**1. Apologies**

**2. Minutes (Pages 5 - 24)**

To approve the minutes from the Audit Committee held on 30 May 2018.

**3. Declarations of Interest**

Please indicate if there are any interests which should be declared. A declaration of an interest should indicate the nature of the interest (if not already declared on the Register of Interests) and the agenda item to which it relates. If a disclosable pecuniary interest is declared, the Member should withdraw from the room whilst the matter is discussed.

These declarations apply to all Members present, whether the Member is part of the meeting, attending to speak as a local Member on any item or simply observing the meeting from the public seating area.

**4. Urgent Business Under Standing Order 7**

To consider any business which, by reason of special circumstances, the

Chairman proposed to accept as urgent under Section 100(b)(4)(b) of the Local Government Act 1972.

**5. Members Present Pursuant to Standing Order 34**

Members wishing to speak pursuant to Standing Order 34 should inform the Chairman of their intention to do so and on what items they wish to be heard before the meeting commences. Any Member attending the meeting under Standing Order 34 will only be permitted to speak on those items which have been previously notified to the Chairman

**6. Chairman's Correspondence (if any)**

**7. Training - Statement of Accounts**

All Councillors have been invited to attend for this item.

**8. Statement of Accounts and External ISA 260 Report (Pages 25 - 26)**

Please be advised that the covering report is attached to the Agenda.

The following documents **will follow**:

1. ISA260
2. Statement of Accounts for 2017/2018

**9. Annual Governance Statement covering the 2017/2018 Year  
(Pages 27 - 57)**

**10. Annual Treasury Outturn Report 2017/2018 (Pages 58 - 69)**

**11. Committee Work Programme 2018/2019 (Pages 70 - 73)**

To note the Committee's Work Programme for 2018/2019.

**12. Date of Next Meeting**

To note that the date of the next meeting of the Audit Committee will take place on 17 September 2018.

To:

**Audit Committee:** Mrs J Collingham, J Collop, P Kunes, C Manning, G Middleton (Chairman), D Pope, T Smith, T Tilbrook (Deputy Chair) and A White

**Portfolio Holders:**

Councillor B Long, Leader

**Management Team Representative:**

Lorraine Gore, Executive Director/Deputy Chief Executive

**Appropriate Officers:** The following officers are invited to attend in respect of the Agenda item shown against their name

- Item 7: Toby Cowper, Group Accountant
- Item 8: Toby Cower, Group Accountant  
Lorraine Gore, Executive Director/Deputy Chief Executive
- Item 9: Ged Greaves, Senior Policy and Performance Officer
- Item 10: Toby Cowper, Group Accountant

**BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK**

**AUDIT COMMITTEE**

**Minutes from the Meeting of the Audit Committee held on Wednesday, 30th May, 2018 at 5.00 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ**

**PRESENT:** Councillor G Middleton (Chairman)  
Councillors Mrs J Collingham, P Kunes, C Manning, D Pope, T Smith and  
T Tilbrook

**Portfolio Holder:**  
Councillor B Long, Leader

**Officers:**  
Lorraine Gore, Executive Director  
Ged Greaves, Senior Policy and Performance Officer  
Matthew Head, Auditor  
Jo Stanton, Revenues and Benefits Manager  
Kathy Woodward, Shared Internal Audit Manager

**Also Present:**  
Dan Cooke, Ernst and Young, External Auditor

A1 **APPOINTMENT OF VICE CHAIRMAN FOR THE MUNICIPAL YEAR 2018/2019**

**RESOLVED:** That Councillor T Tilbrook be appointed Vice-Chairman for the Municipal Year 2018/2019.

A2 **APOLOGIES**

An apology for absence was received from Councillor P Hodson.

A3 **MINUTES**

The Minutes of the meeting held on 12 February 2018 were agreed as a correct record and signed by the Chairman.

A4 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A5 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A6 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

A7 **CHAIRMAN'S CORRESPONDENCE**

The Chairman address those present, as set out below:

"I am delighted to have been given the opportunity to chair the Audit Committee for this municipal year.

I would firstly like to thank our outgoing Chairman, Councillor Pope for his contributions made to this committee over the time he served us as chairmen.

Audit plays a central part in all that the Council aims to achieve, and although some maybe see it as a bit tedious it really is one of the more important tasks that the council needs to deliver on.

One of the main items of this being the Annual Governance Statement that we see the draft of tonight and the full report at our next meeting in July.

I look forward to serving you and our residents across the Borough, and I will ensure all of you that this is our Committee and not just mine, I will be open to suggestion at any point with reference to agenda items etc

It is our responsibility to scrutinise and decision make were necessary not only on behalf of those who voted for us but on behalf of all who live in our wonderful Borough.

As we commence this meeting tonight and start on the 18/19 year I would like to ask that we respect each other's opinions and that we follow good practise for meetings, especially going through the chair when asking a question or stating opinion. I will give everyone a fair share, but I will also keep an eye on time and use Chairman's discretion where necessary."

A8 **TRAINING/BRIEFING - INTERNAL AND EXTERNAL AUDITS**

The Committee received a training session via a PowerPoint presentation from the Shared Internal Audit Manager, a copy of which is attached to the Minutes.

Members were invited to ask questions.

The Shared Internal Audit Manager, Executive Director and D Cooke from Ernst Young responded to questions relating to:

- The Shared Internal Audit Manager arrangement/role and the benefits it brought to both Councils.
- Internal Audit arrangement for looking at and discussing the work undertaken by the External Auditors.
- Composition of Internal Audit Team.
- Audit work and fees undertaken by the External Auditors on an annual basis.

The Chairman thanked the Shared Internal Audit Manager for the training received by the Committee

#### A9 **CERTIFICATION OF CLAIMS AND ANNUAL REPORT 2016/2017**

D Cooke, Ernst and Young presented the Certification of Claims and Annual Report 2016/2017 and highlighted the following sections as set out below:

- Scope of work.
- Summary.
- Housing Benefits Subsidy Claim.
- 2016/2017 Certification Fees.
- Looking Forward.
- Summary of Recommendations.

The Leader, Councillor Long, D Cooke, the Revenues and Benefits Manager responded to questions relating to:

- Universal Credit, how it would affect the processing of benefit claims and the timescale involved.
- Introduction of new system to assess benefit claims during 2018/2019.
- Extended and other testing identified errors on non-HRA subsidy which the Council amended. It was explained that this had a small impact on the claim, increasing the subsidy by £181.
- Department of Work and Pensions audit approach.

Councillor Tilbrook commented that it would be useful to include reference to dates in future reports.

The Chairman thanked Dan Cooke from Ernst Young for attending and presenting the report to the Committee.

**RESOLVED:** The Committee received the Certification of Claims and Returns Annual Report 2016/2017.

#### A10 **EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED:** That under Section 100(1)(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 1, 2, 3 of Part 1 of Schedule 12A to the Act.

A11 **EXEMPT REPORT: RISK BASED VERIFICATION POLICY UPDATE**

The Revenues and Benefits Manager presented the report which provided an update for the Committee on Risk Based Verification (RBV) activity over the past year, and made some minor updates to the RBV Policy. It was explained that the Council introduced RBV to assess the risk of fraud and error in New Claims for Housing Benefit and Council Tax Support from April 2015. In February 2016, RBV was extended to include Changes of Circumstance.

The Revenues and Benefits Manager responded to questions from the Committee.

The Chairman thanked the Revenues and Benefits Manager for attending and presenting the report.

**RETURNED TO OPEN SESSION**

A12 **CORPORATE RISK REGISTER**

The Senior Policy and Performance Officer presented the report which detailed the changes to the Corporate Risk Register since the last monitoring report in October 2017. The report set out the risk falling into the 'Very High' category and the associated work being progressed to mitigate the effects.

The Committee's attention was drawn to the following areas of the report:

- Section 2 – Changes to the Register – the risk proposed to be removed and the proposed six new risks.
- Increased risk score – 1.23 General Data Protection Regulations (GDPR). It was reported that all Councillors had been invited to attend a training session on 17 May 2018.
- Decreased risk score from Major to Moderate – 1.22 Revenues and Benefits Software Tender.

In response to questions regarding the number of risks entered in the Corporate Risk Register, the Senior Policy and Performance Officer explained that in comparison with other local authorities, the Borough Council held an average number of risks.



Following further questions, on the decreased risk score for the Revenues and Benefits Software Tender, the Leader and the Executive Director outlined the reasons and explained that following completion of the tender process the contract was awarded to the existing supplier, Civica, in January 2018. The Committee was advised that an implementation plan was in place and resources allocated to ensure effective implementation and training for staff. The Executive Director advised that the tender process has brought significant savings to the authority.

In response to comments from Members, the Executive Director explained that the Borough Council's treasury advice now obtained from Link Solutions.

Reference was made to 1.16 Business Rates being identified as a high risk and whether any figures were available together with the impact on the bottom line. The Executive Director referred to the Financial Plan 2017 – 2022 presented to Cabinet on 6 February 2018:

(Please click on link below to view the Financial Plan 2017 – 2022)

[file:///homeserver/Users\\$/wvincent/Downloads/financial\\_plan\\_2017\\_2022.pdf](file:///homeserver/Users$/wvincent/Downloads/financial_plan_2017_2022.pdf)

and explained that she did not have the information to hand, but would circulate the information to the Committee. The Executive Director also informed the Committee that there were also proposals for the Business Rates Retention Scheme and a Fair Funding Review currently in progress, but the outcomes were not yet known.

Following questions relating to the possible backdating of business rates to the Queen Elizabeth Hospital, the Executive Director explained that the Business Rates Pool had set aside uncommitted funds for the purpose of any claims made against Norfolk local authorities and undertook to circulate further information to the Committee.

**RESOLVED:** The Committee considered the contents of the Corporate Risk register and confirmed agreement with Management Team's assessment of the risks to the corporate objectives.

A13

### **DRAFT ANNUAL GOVERNANCE STATEMENT COVERING THE 2017/2018 YEAR**

The Senior Policy and Performance Officer outlined the purpose of the report and reminded Members that the report brought the Council's draft Annual Governance Statement (AGS) 2018 to the committee to review, challenge and provided an opportunity to input prior to the AGS being finalised and considered by the Committee at its meeting in July 2018.

The key issues were outlined as detailed in the report.

The Chairman invited the Committee to ask any questions/comments.

There were no questions from the Committee.

**RESOLVED:** The Committee reviewed the draft Annual Governance Statement 2018 and determined that the work undertaken to review the governance arrangements in place during the 2017/18 year was appropriate.

A14

### **INTERNAL AUDIT ANNUAL REPORT AND OPINION 2017/2018**

The Shared Internal Audit Manager presented the report which provided the Committee with an overview of the work undertaken by Internal Audit during 2017/18 and provided the Audit Manager's annual opinion on the system of internal control.

Members were reminded that the Audit Manager's Opinion set out in section 2 of the report fed into the Annual Governance Statement providing the assurance of the adequacy and effectiveness of the Borough Council's systems.

The Committee's attention was drawn to the following sections of the report:

- Audit Manager's Opinion.
- Effectiveness of the Internal Audit Team.
- Anti-Fraud and Anti-Corruption Procedures.
- Risk Management.
- Conclusion.

In response to questions regarding audits which has received limited assurance, the Shared Internal Audit Manager explained that when the audit report was issued it was accompanied by an action plan which had been agreed with the Service Manager and presented to Management Team. With regarding the Planning Control Audit which had received limited assurance, the Leader explained that as part of the process the report had been discussed with the Portfolio Holder and the Planning Committee had received extensive training and that as a result all major planning application sites were visited by the Planning Committee prior to determining a decision.

Following questions on the Housing Standards audit receiving limited assurance, the Shared Internal Audit Manager provide an update and advised that the recommendations had been implemented and a further follow up audit would be scheduled.

**RESOLVED:** The Committee received the annual audit opinion and noted the work of Internal Audit for 2017/18

A15 **INTERNAL AUDIT FULL YEAR PROGRESS REPORT 2017/2018**

The Shared Internal Audit Manager proposed that for 2019/2020 that the following two reports be combined:

- Internal Audit Annual Report and Opinion and
- Internal Audit Full Year Progress Report

to which the Committee agreed.

The Shared Internal Audit Manager presented the report which provided Members with an update on progress against the Internal Audit Strategic Plan 2017/18 that was endorsed by the Audit Committee at their meeting on 13 February 2017.

Members were informed that the Audit Committee Terms of Reference required it to monitor the delivery of the internal audit activity.

The Committee's attention was drawn to the following sections of the report:

- Section 2.3 – audits which were ongoing at the end of the year and would be reported to the Committee in the next progress report.
- Section 3.1 – 2 themes of National Fraud Initiative (NFI): The Flexible Matching Service and the NFI National Exercise 2016/17.
- Section 3.5 – investigation work conducted on an adhoc basis to attempt to trace debtors/absconders.
- Section 3.7 – other exploratory routes to attempt to prevent, detect and deter fraud and error – DWP Joint working, Counter Fraud Hub, NFI Business Rates Pilot.

In response to questions regarding the Borough Council's Council Tax collection rate figures, the Executive Director and Shared Internal Audit Manager provided an overview of potential reasons as to why the collection rate was not 100%.

Following questions on the Borough Council's approach to recover debts, the Shared Internal Audit Manager explained that the Council explored a number of options to recover debts where possible and gave an example of the Investigations Officer (Fraud) using social media to track down debtors.

The Committee was informed of the joint work with the Department of Work and Pensions to recover debt.

**RESOLVED:** The Committee reviewed the progress against the planned work and ensured that it complied with the requirement of the Accounts and the Audit Regulations 2015.

A16 **AUDIT COMMITTEE EFFECTIVENESS REPORT 2017/2018**

The Shared Internal Audit Manager explained that it was considered to be good practice for the Audit Committee to present Cabinet with an annual report on the work carried out by the Committee in the preceding year. The report reviewed the work of the Audit Committee during the year 2017/18 and considered if the Committee had effectively fulfilled its role.

In response to questions regarding training now being mandatory for the Audit Committee, the Shared Internal Audit Manager explained that training was an issue for the Committee to discuss and decide. The Leader provided an overview of the training requirements for the Planning Committee. If Members were not able to attend a Planning training session then a follow up session for those Councillors would be arranged.

In response to a question regarding Members' training, it was confirmed that a record of Members training was held on Mod Gov.

A discussion took place on options to ensure that all Members of the Audit Committee received the appropriate training. Mention was also made of a small number of named substitutes receiving training. The Chairman, Councillor Middleton undertook to liaise with officers on the suggestions put forward and report back to the next meeting of the Committee.

The Leader commented that Cabinet welcomed the report in the previous year and added that the Audit Committee carried out a good job and was a credit to the Chairman of the Committee.

The Chairman, Councillor Middleton invited the previous Chairman Councillor Pope to comment on the report and attend the Cabinet meeting on 25 June 2018.

**RESOLVED:** That the Audit Committee:

- 1) Considered the content of the report and decided it accurately reflected the work of the Committee in 2017/18.
- 2) Confirmed their agreement to the Chairman taking the report to Cabinet as evidence that the Committee operated effectively.

A17 **COMMITTEE WORK PROGRAMME 2018/2019**

The Committee noted the Work Programme for 2018/2019.

The Chairman, Councillor Middleton invited Members to put forward any suggestions for future training sessions or items to be placed on the work programme.

A18 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee would take place on Monday 30 July 2018 at 5 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn.

**The meeting closed at 7.10 pm**



# Key Differences between Internal and External Audit

Kathy Woodward



# Internal Audit v's External Audit – The Similarities

- Both have mutual interests regarding the effectiveness of internal financial controls.
- Both professions adhere to codes of ethics and professional standards.
- Both are a requirement of legislation.



# The Purpose?

**Internal Audit** is a key component of corporate governance within an organisation and covers the whole system of risk management, control and governance processes including:

- Corporate systems – business planning, risk management etc
- Financial systems – General Ledger, Creditors, debtors, treasury management etc
- Support systems – information, policies, premises management etc
- Operational systems – housing, refuse, planning etc

The Accounts and Audit Regulations 2015 require organisations to conduct a review of the effectiveness of their systems of internal control and prepare an Annual Governance Statement (AGS). This is then published with the Statement of Accounts.





# The Purpose?

**External Audit** is required to provide an annual independent audit opinion on:

- The organisation's financial statements
  - assessing whether they conform to the accounting principles and standards
  - Fairly present the financial position of the organisation for a given period of time
  - have been materially affected in any way
- The value for money conclusion
  - to ensure appropriate stewardship of public funds

While external audits generally focus on transactions and events during a period, they will consider current risks and issues that might materially influence their opinion and also check that the accounts have been prepared on a 'going concern' basis.



# Who are the Auditors?

**Internal Auditors** – are usually employed by the organisation. BCKLWN has three members of staff employed directly by the Council and purchase 50% of the Shared Internal Audit Manager from Fenland District Council.

**External Auditors** – Our current auditors are Ernst and Young.

From 2018/19 the Public Sector Auditor Appointments (PSAA) are responsible for appointing the Auditors for most Local Authorities. The Auditors appointed are selected from a list of approved firm of Accountants. For BCKLWN the auditors appointed are Ernst and Young. These arrangements are in place for the next five years.



# How is the audit agenda set?

**Internal Audit** – the agenda is set internally in light of the risks assessed on each area of the Council, the corporate priorities and objectives and through input from management. This allows internal audit to set a five year plan which is reviewed and monitored on a 6 monthly basis.

**External Audit** – the external auditors will set their own programme of work based on its assessment of the risks of the accounts being materially misstated. This is directed by Auditing Standard ISA (UK) 200 – Overall objectives of the Independent Auditor and Conduct of an Audit in Accordance with International Standards on Auditing (UK).



# Can External Audit use the work of Internal Audit?

**External Audit** – Can use the work of Internal Audit as described in ISA (UK) 610. The conditions for this to be applied are as follows:

- Internal Audit's status, and the organisational policies and procedures support the objectivity of Internal Audit.
- The level of competence of the internal audit function.
- Whether the internal audit function applies a systematic and disciplined approach.

Ernst and Young have chosen not to use our Internal Audit work and have provided the following statement to support their decision:

*“As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports in our audit Strategy. We generally do not rely on the work of Internal Audit for Our detailed testing as we determine that a fully substantive audit is more efficient.”*



# Reporting, who to?

**Internal Audit** – report internally. Service Managers and Executive Directors are the recipients of the reports as there will be recommendations that need to be acted upon. Ultimately internal auditors report to the audit committee so there is a high level of oversight. Internal Audit reports are not published publicly.

**External Audit** – report primarily to the Council Members, including the audit committee and also Management Team. External Audit Reports are also published publicly so stakeholders can view the results of the audit.



# Reporting, what type?

**Internal Audit** – produce tailored reports about how the risks and objectives are being managed. There is a focus on helping the business move forward highlighting areas of best practice and improvement.

**External Audit** – the main report is in format required by the Auditing Standards and focuses on whether the accounts give a true and fair view and comply with legal requirements. If other things come to light which the auditors think should be brought to the client's attention they will be reported separately to the directors in a 'management letter'.



# After the Audit?

**Internal Audit** – will conduct a follow up – usually 6 months after the initial audit report has been issued. The follow up will look to see whether recommendations have been implemented and may provide consultative help to guide the implementation of recommendations.

**External Audit** – there is generally no follow up, until the planning stage of the next year's audit when past issues will be considered.



# In Summary

**Internal Audit** can be used more flexibly and should add value to the organisation. It should have a positive impact in helping the organisation move forward in achieving its objectives and identify efficiencies throughout the organisation.

**External Audit** is a regulated activity required by law and can be helpful for members of the public to have assurance on the stewardship of public funds. It can also be considered as a health check on the key elements of the organisation's accounting.





**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

REPORT TO:	<b>AUDIT COMMITTEE</b>		
DATE:	30 July 2018		
TITLE:	<b>STATEMENT OF ACCOUNTS 2017/2018 AND REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260)</b>		
TYPE OF REPORT:	Recommendation		
PORTFOLIO(S):	Cllr B. Long		
REPORT AUTHOR:	Toby Cowper		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

**PURPOSE OF REPORT/SUMMARY:**

The report introduces the Statement of Accounts (SOA) 2017/2018

Essentially the Statement is the final accounts set out in a format which includes the Council's balance sheet and associated notes. The report also considers the report from the auditor on the audit for the accounts 2017/2018 – the International Auditing Standard (ISA 260).

**RECOMMENDATIONS:**

It is recommended that Audit Committee;

- i. Considers the comments of the auditor in the ISA260
- ii. Approve the Statement of Accounts for 2017/2018
- iii. The Chairmen to signs the Statement of Accounts and the Letter of Representation on behalf of the Borough Council of King's Lynn and West Norfolk

**REASONS FOR RECOMMENDATIONS:**

The Audit Committee must approve the Statement of Accounts for 2017/2018 before 31 July 2018 and consider the comments from the auditor on the ISA 260.

## **1. Introduction**

- 1.1 The report introduces the Statement of Accounts (SOA) for 2017/2018 – a statutory document that must be approved by the Council before 31 July 2018. The Statement has been subject to external audit by Ernst & Young (the Council's auditors for 2017/2018).
- 1.2 Cabinet has already received reports on the outturn of the revenue and capital budgets for 2017/2018, at its meeting 25 June 2018. This report presents to members the formal set of accounts that are required for audit purposes. The format of the Statement of Accounts is subject to prescription under the International Financial Reporting Standards (IFRS) which is in accordance with the relevant Audit and Account Regulations.
- 1.3 The report from the auditor on the audit for the accounts 2017/2018 – the International Auditing Standard (ISA 260) – provides members with an overview of the findings of the audit.
- 1.4 A hard copy of the draft Statement of Accounts 2017/2018 (subject to Audit) has been sent to all members of the Audit Committee.

## **2 Statement of Accounts 2017/2018**

- 2.1 The Audit Committee must formally approve the SOA for 2017/2018 by 31 July 2018. Ernst & Young, the external auditor has audited the document and has expressed an opinion that the accounts present fairly the position of the Council as at 31 March 2018 and its income and expenditure for the year then ended.
- 2.2 As the Council's designated S151 Officer, the Deputy Chief Executive, is responsible for the SOA and certifies her acceptance of the accounts.
- 2.3 Associated with the final accounts the Council is required to sign off an Annual Governance Statement (AGS) which is separately listed on the agenda.

## **3. Issues for the Panel to Consider**

1. Considers the comments of the auditor in the ISA260
2. Approve the Statement of Accounts for 2017/2018
3. The Chairmen to signs the Statement of Accounts and the Letter of Representation on behalf of the Borough Council of King's Lynn and West Norfolk

## **4. Financial Implications**

There are no financial implications that follow the presentation of the Statement of Accounts.

## **5. Any other Implications/Risks**

None

## **6. Equal Opportunity Considerations**

None

## **7. Background Papers**

Council agenda/minutes, Financial Plan 2017/2022, Monitoring Reports 2017/2018

**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

REPORT TO:	Audit Committee		
DATE:	30 July 2018		
TITLE:	Annual Governance Statement 2018 – covering the 2017-18 year		
TYPE OF REPORT:	Monitoring		
PORTFOLIO(S):	Leader		
REPORT AUTHOR:	Ged Greaves, Senior Policy and Performance Officer		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

**REPORT SUMMARY/COVER PAGE**

<b>PURPOSE OF REPORT/SUMMARY:</b>
<p>The Terms of Reference of the Audit Committee<sup>1</sup> state:</p> <p><i>“The main areas of responsibility for the Audit Committee will be to: ...</i></p> <p><i>b. Review the Council’s assurance statements, including the Annual Governance Statement (AGS), to check that it properly reflects the risk environment and any actions required to improve it.”</i></p> <p>This report brings the Council’s final version of the Annual Governance Statement (AGS) 2018 to the Committee for approval. The draft AGS was considered at the Committee’s meeting in May 2018.</p> <p>The preparation and publication of an Annual Governance Statement (AGS) is a statutory requirement<sup>2</sup>. The AGS is a public statement that describes and evaluates the Council’s overall governance arrangements, in particular how it has complied with its Code of Corporate Governance during a particular financial year. The final AGS is attached at Appendix 1.</p>
<b>KEY ISSUES:</b>
<ol style="list-style-type: none"> <li>1. CIPFA<sup>3</sup> issue guidance and a template to aid authorities in their work on their AGS; this is used as a framework, but the document is written with fresh content each year.</li> <li>2. Section 7 refers to the draft Action Plan devised for the 2018/19 year (shown on the final page of the document)</li> <li>3. Input has been collated from Executive Directors, Service Managers and Internal Audit for the draft statement</li> <li>4. External Audit will review the document prior to the final version coming to the Audit Committee in July 2018.</li> </ol>
<b>OPTIONS CONSIDERED:</b>
Options do not apply; the Council must prepare, approve and publish a statement.
<b>RECOMMENDATIONS:</b>
<p>The Committee is invited to</p> <ol style="list-style-type: none"> <li>1. Confirm that the 2018 Annual Governance Statement (as attached) properly reflects the risk environment and that actions required to improve it are in hand</li> </ol>

<sup>1</sup> As agreed by Full Council in June 2016

<sup>2</sup> Accounts and Audit Regulations 2015, regulation 6(1)

<sup>3</sup> Chartered Institute of Public Finance and Accountancy

- |  |
|--|
| 2. Approve the 2018 Annual Governance Statement (as attached) and confirm that the Chairman of the Audit Committee should sign accordingly.  |
| REASONS FOR RECOMMENDATIONS:   |
| In order to: <ul style="list-style-type: none"><li>• comply with the Audit Committee Terms of Reference</li><li>• ensure that Council complies with the Accounts and Audit Regulations 2015, regulation 6(1)</li></ul> |

## **REPORT DETAIL**

### **1. Introduction**

1.1 The Council's Local Code of Corporate Governance sets out six core principles of good governance that focus on the systems and processes for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. These core principles include:

- Focusing on the purpose of the Council
- Roles and responsibilities of members and officers
- Standards of conduct and behaviour
- Decision making, scrutiny and risk management
- Developing capacity and capability of members and officers
- Engaging with local people and stakeholders

1.2 The extent to which the Council adheres to these principles is described in the Annual Governance Statement (AGS).

1.3 The preparation and publication of the AGS is a statutory requirement. The AGS is a public statement that describes and evaluates the Council's overall governance arrangements during a particular financial year. It includes a self-assessment of the effectiveness of the governance arrangements, across all areas of activity, together with a statement of the actions being taken or required to address any areas of concern.

### **2. The Annual Governance Statement**

2.1 The AGS has been produced in accordance with relevant professional guidance and notable practice and a comprehensive review has taken place to ensure that the suggested areas are included in the Council's AGS for 2017/18.

2.2 Sections 1 and 2 are broadly the same as with the 2017 AGS, these are 'introductory sections'.

2.3 Section 3 is the main body of the document and uses the CIPFA guidance as headings, the content has been updated to reflect practices during the year under review.

2.4 Section 4 contains information based on standard reports and events that inform the Review of Effectiveness.

- 2.5 Section 5 draws attention to the 'Areas of special interest in terms of governance' that the Council has in place.
- 2.6 Section 6 covers 'Known Changes in the 2018/19 year'.
- 2.7 Section 7 refers to the Action Plans devised for the 2017/18 year (see Appendix B) and for the year ahead 2018/19 (see Appendix C).
- 2.8 The development of the AGS, and the consultation process, has engaged Service Managers and Executive Directors. In particular, input has been obtained at this stage from the Audit Manager, the S151 Officer, the Monitoring Officer, the Democratic Services Manager, the ICT Manager, the Policy, Performance and Personnel Manager and the Assistant Director - Central and Community Services.
- 2.9 A draft AGS was considered by the Audit Committee on 30 May 2018 and no comments were raised.

### **3. Issues for the Panel to Consider**

- 3.1 The following areas have been identified as aspects the Committee may wish to consider:
- i. Does the AGS cover all areas of our operations?
  - ii. Is it meaningful, easy to read and underpinned by robust evidence?
  - iii. Does it accurately reflect our control structure and a sense of its risks, vulnerabilities and resilience to challenges?
  - iv. Has compliance with the Code of Corporate Governance been assessed and have any departures from it been disclosed and explained?

#### **4.0 Corporate Priorities**

Not applicable, statutory requirement.

#### **5.0 Policy Implications**

None.

#### **6.0 Financial Implications**

None.

#### **7.0 Personnel Implications**

None.

#### **8.0 Statutory Considerations**

- 8.1 The adoption of the Annual Governance Statement will be required in July 2018 to comply with the Accounts and Audit Regulations.

#### **9.0 Equality Opportunity Considerations**

None.

#### **10.0 Risk Management Implications**

- 10.1 The Annual Governance Statement forms part of the Council's risk management process and will provide reasonable assurance once adopted in July 2018 (as defined in section 8 of the AGS itself) that the Council is complying with the adopted Code of Corporate Governance.
- 10.2 Failure to maintain an effective approach to producing the AGS may lead to the Council being:
- unable to meet its statutory duty
  - unable to demonstrate it has effective corporate governance arrangements in place
  - open to criticism from external audit.

## **11.0 Recommendations**

- 11.1 From the review undertaken, the assessment and ongoing monitoring work completed and supported by the verification work undertaken by internal audit, we have reached the opinion that key systems are operating soundly and that there are no fundamental weaknesses.
- 11.2 The Committee is recommended to:
- a) Confirm that the Annual Governance Statement 2018 (as attached) properly reflects the risk environment and that actions required to improve it are in hand
  - b) Approve the Annual Governance Statement 2018 (as attached) and confirm that the Chairman of the Audit Committee should sign accordingly.

## **12.0 Declarations of Interest / Dispensations Granted**

None

## **Background Papers**

CIPFA/SOLACE Framework including Guidance Notes and Addendum

Cabinet / Panel agendas

Code of Corporate Governance

Various policies, strategies, procedures

Council Constitution

Borough Council of  
**King's Lynn &  
West Norfolk**



# Annual Governance Statement 2018

Covers the 2017/18 financial year

## **1. Scope of responsibility**

- 1.1 The Borough Council of King's Lynn and West Norfolk is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of the above.
- 1.2 The Council has a Code of Corporate Governance in place which sets out how the Council intend to apply the principles of corporate governance, in accordance with 'Delivering Good Governance' within the Local Government CIPFA/ SOLACE Framework. A copy of the code is on our website at [www.west-norfolk.gov.uk](http://www.west-norfolk.gov.uk). The code was reviewed during 2014/15 and the update was approved by Council in March 2015.
- 1.3 This Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) which requires all relevant bodies to conduct a review of the effectiveness of the system of internal control and prepare a statement.

## **2. The purpose of the governance framework**

- 2.1 The governance framework comprises the systems, policies, procedures and operations by which the authority is directed and controlled, and its activities through which it accounts to, engages with and, where appropriate, leads its communities. It enables the authority to monitor the achievement of its strategic objectives and outcomes and to consider whether those objectives have led to delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to:
  - identify and prioritise the principal risks to the achievement of the Council's policies, agreed priorities and objectives
  - evaluate the likelihood and potential impact of those risks being realised
  - manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Borough Council of King's Lynn and West Norfolk for the year ended 31 March 2018 and remains in place to date.

## **3. The governance framework**

The Council's governance framework is made up of the many systems, policies, procedures and operations we have in place to do the following:



### **3.1 Publish our aims for local people and others who use our services**

- 3.1.1 The Council publishes a Corporate Business Plan which sets out the broad framework for the Council's aims for the period covered by the plan. The plan currently in place was agreed by Council in January 2016.
- 3.1.2 The plan outlines six priority aims, supported by 18 objectives in areas of key importance to the authority. The six priority aims within the plan are:
1. Provide important local services within our available resources
  2. Drive local economic and housing growth
  3. Work with our communities to ensure they remain clean and safe
  4. Celebrate our local heritage and culture
  5. Stand up for local interests within our region
  6. Work with our partners on important services for the borough
- 3.1.3 The Corporate Business Plan is aligned with the Council's Financial Plan and both documents are available on our website in order to be clear and transparent to local people, service users and stakeholders.
- 3.1.4 During 2017/18, the Council developed elements of its Local Development Scheme which provides information on the documents that make up the Council's Local Plan (in relation to Planning) and also provides a timetable for the Local Plan production and the Local Plan Review. The scheme provides details of documents we intend to prepare over the period 2017-2019.

### **3.2 Review our aims and the implications on our governance arrangements**

- 3.2.1 The Council has a Code of Corporate Governance in place, which sets out how the Council intends to apply the principles of corporate governance, in accordance with CIPFA/SOLACE guidance. The Code includes a chart to demonstrate the different parts of the framework and reflects the Council's current processes and procedures. The Code will be reviewed every three years to reflect any changes in the Council's governance framework and/or any revised guidance. The three statutory officers will meet quarterly to review high risk projects and identified issues.
- 3.2.2 Progress towards achieving the aims outlined in the Council's Corporate Business Plan was monitored through the Corporate Business Plan Monitoring Report which was collated quarterly during 2017/18. Updates at the end of quarters 2 and 4 were taken to the Corporate Performance Panel for review and progress checking. As part of collating and reviewing the monitoring report, the Council's senior management team consider and review the aims, actions underway and progress made. The governance arrangements in place for the year under review were appropriate for delivery of our aims.

### **3.3 Measure the quality of our services, make sure we provide them in line with our aims and that they provide value for money**

- 3.3.1 The Council has a Performance Management Framework which is, in effect, a summary of the key internal processes and components through which the Council sets, delivers, monitors and reports on its priorities and services. The framework encompasses elements of strategy, finance, performance, people, risk management and reporting and accountability. The framework describes how the Council

measures and monitors the performance of its services and is available on the Council's website. A number of updates occurred in 2017/18 including:

- The framework was generally refreshed during the 2017/18 year to ensure it reflects current arrangements.
- Several new Planning related indicators were added at the request of members.
- A Scrutiny Review proposed that overview and scrutiny panels should monitor their own indicators rather than solely report indicators to Corporate Performance Panel.

3.3.2 Through reviews by external auditors, external agencies, Internal Audit, and the Policy/Efficiency Team, the Council seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised for example a review of Support Services – Environment and Planning was undertaken in May 2017. A high level options appraisal, supported by Local Partnerships, commenced in Winter 2017 to consider collaboration with South Holland and Breckland district councils.

#### **3.4 Define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions**

3.4.1 The Council's Constitution sets out how the Council operates, how decisions are made and the procedures to be followed to ensure that these are efficient, transparent and accountable to local people. This defines, amongst other things the roles of the Council, Cabinet, how scrutiny and overview is undertaken, the Scheme of Delegation, and the roles and responsibilities of officers and members. The different elements of the Constitution are subject to periodic change either through national legislation or local decision. In the 2017/18 year, the Council's Scheme of Delegation was updated in July 2017.

3.4.2 Within the Constitution, full Council sets the overall budget and policy framework of the Council, while Cabinet makes decisions within this framework, and is held to account by the overview and scrutiny arrangements. Meetings are open to the public except where exempt or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority. The Council publishes a Forward Decision List which contains details of key decisions to be made by the Council, its bodies and Executive Directors under their delegated powers.

3.4.3 Following work undertaken during the preceding two years, in April 2016 Council agreed changes to the scrutiny arrangements of the authority. Then changes were made to seek to make the roles and functions of the Council's policy development and scrutiny panels more effective, thereby enhancing the good governance of the Council. All changes have been operating during the 2017/18 year. The Scrutiny Structures Task Group commenced in August 2017, reviewed the changes, consulted upon proposals with final recommendations taken to Cabinet in January 2018. All changes made were fully defined and documented within the constitution documents.

### **3.5 Develop, communicate and embed codes of conduct which define the standards of behaviour for members and staff**

3.5.1 The Council has in place key documents which communicate the standards of behaviour required of members and all council staff (officers). These include the:

- Anti-Fraud and Anti-Corruption Strategy
- Employee Handbook (includes employee code of conduct)
- Members Code of Conduct
- Members Code of Good Practice for Planning
- Protocol for Member/Officer Relations
- Register of Disclosable Pecuniary Interests
- Safeguarding Policy
- Data Quality Policy & Strategy
- Disciplinary / Grievance procedures
- Fraud Response Plan
- Health, Safety & Welfare General Policy
- ICT Asset Management Policy
- ICT Computer Usage Policy
- ICT Corporate Email Policy
- ICT Corporate Internet Policy
- ICT Security Policy
- Whistleblowing Policy

3.5.2 The Code of Practice for Planning was updated in September 2017 setting out standards regarding social media.

3.5.3 The five ICT related policies are reviewed annually and refreshed when appropriate to ensure they are in line with the latest ICT technology advancements and information security guidelines. Keeping information securely is vital for public confidence and the efficient conduct of business.

3.5.4 The Baseline Personnel Security Standard (a new requirement in 2014/15) continues as standard practice within the Council's recruitment and appointment processes, to ensure that employees who access information held on the Public Services Network (PSN) meet a minimum baseline standard of security checks. It is a pre-appointment check which aims to ensure the Council employs people who are entitled to work in the UK and who have the honesty, integrity and values needed. The BPSS will be reviewed will in 2018/19.

3.5.5 The Performance Management Framework also describes how staff performance, including conduct, is managed; this document has been refreshed during the 2017/18 year. The staff performance related pay scheme was reviewed later in the year and trialled new grades. All employees have detailed job descriptions and person specifications.

3.5.6 The Council also has a Harassment Procedure in place for staff, which demonstrates the belief that all employees have a right to be treated with dignity and respect, and that the Council will take steps to ensure this right is protected. All policies are available to all staff and Councillors via the Council's Intranet.

3.5.7 The revised Equalities Policy approved by Cabinet in January 2018 sets out the roles and responsibilities of the local authority including those for employees, members and third party organisations and contractors. It also includes new equality objectives. Implementation will be supported by a training programme to be rolled out during 2018.

- 3.5.8 Training was rolled out in January 2018 for Management Team, Extended Management Team and wider staff to inform and support the Council's response to the General Data Protection Act Regulations. This includes a short briefing session and a bespoke e-learning package. Eastlaw worked with service managers to review the implications for their areas of responsibility to inform planning for any changes that may be required, helped identify data and records management issues and with completion of statutory registers. The Data Protection Policy was reviewed to ensure conformity with the GDPR, working practices and emerging UK legislation and an Information Risk Framework has been introduced.
- 3.5.9 In Spring 2016, Cabinet agreed to update the Council's Child Protection Policy and introduce an overarching Safeguarding Policy to ensure that the Council meets its statutory duties with respect to child and adult safeguarding. Cabinet agreed the Safeguarding Policy in April 2017 and this was subsequently approved by Council in July 2017. The new policy clarifies roles and responsibilities and referral mechanisms and a "risk assessment" process for contracts/service level agreements and grants.

**3.6 *Review the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality***

- 3.6.1 Effective management is based on a framework of regular management information, financial regulations, standing orders and a structure of varying levels of responsibility, including arrangements for delegating decision making. The Council has all these elements in place, including those which meet 'The Openness of Local Government Bodies Regulations 2014', and we regularly review these to ensure they remain relevant and fit for purpose. The Constitution was revised during 2017/18. There is a protocol for recording and broadcasting of meetings. Decisions are made in open, public meetings, or via the various delegation arrangements in place and all adhere to the policy position in place – for example, Planning decisions are taken with regard to the adopted Local Plan and all other relevant guidance.
- 3.6.2 The Council works in partnership at many different levels. Continued participation is reviewed regularly to ensure it remains effective. Decision making in partnerships is governed by the structure outlined within the appropriate constitution. As in one example, the Norfolk Coast Partnership (a formal partnership with Great Yarmouth Borough Council, North Norfolk District Council, DEFRA and Norfolk County Council) there is a 'Memorandum of Agreement' which was renewed in April 2015 and runs for 3 years. This outlines how decisions will be made within the partnership.
- 3.6.3 A Memorandum of Association for the Wash & North Norfolk Marine Partnership, which brings together the interests, skills and resources of 21 local authorities, environmental interest groups and national agencies to address matters of mutual interest in and around the Wash is under development.
- 3.6.4 During the 2017/18 year, the Council worked in partnership with other public sector organisations in Norfolk in the 'One Public Estate' programme running across the county following a successful 2016 bid for funding towards feasibility work. Formal governance for the partnership is outlined within the 'Norfolk Partnership Services & Assets Delivery Plan' document.

3.6.5 The Council has a Data Quality Policy and Strategy in place and available on its website. Having this in place indicates that the Council understands the importance of data quality and is committed to being consistent in its management of data quality within the organisation and in partnership with others. It also means that the Council ensures that the data produced adheres to the 7 principles of data quality. The Policy was reviewed, and the Strategy was refreshed during the 2016/17 year<sup>1</sup>. Training was delivered during the 2017/18 year for officers who collect data used for corporate performance measures to support the application of the strategy.

3.6.6 Following a review of the Council's scrutiny function by the Centre for Public Scrutiny in 2015, the cross party Scrutiny Structures and Policy Development Task Group made recommendations to Panels, Cabinet and Council on the Scrutiny and Policy Development Structure. Those recommendations were implemented and have been in operation for two years. The Task Group reconvened in August 2017 to review the revised operation and structures. The Task Group's proposals were considered by the policy and review panels and were approved by Cabinet in January 2018. Implementation of the changes will take place during the remainder of 2017/18 and into the new municipal year. These changes include:

- the attendance of Audit Members for Audit training becoming obligatory as it is for Planning and Licensing initial training.
- Panels being encouraged to use the powers available to them and therefore making clear recommendations on items coming before them so they can be incorporated into reports in the progress of being prepared, or taken into account at Cabinet.
- Panels considering their own performance indicators and being encouraged to monitor the progress in line with the Corporate Objectives through that route.
- the number of post implementation reviews undertaken being monitored by the Joint Chairs meetings.
- when working on policy development and reviews and project programme work, Panels being encouraged to have discussions with portfolio holders :
  - For example – Cabinet Members could attend a Panel meeting at the beginning of the year to discuss their plans for the year in order to incorporate potential items into work plans in accordance with the Business Plan.
- the Leader nominating the Panel/Committee Chairs for agreement at Council with the Vice-Chairs to be appointed by the Panels/Committee.
- terms of reference being approved for Chairs of Scrutiny bodies.
- the appraisal of Chairs being investigated.
- the review of the amended arrangements after a further 12 months of operation.

**3.7 *Ensure the framework for identifying and managing risks, and for developing counter-fraud and anti-corruption arrangements are effective and well-maintained***

3.7.1 The Council has a Risk Management Policy and Strategy in place. The Council's risk appetite is formally recognised within the Policy, and the Strategy provides a means

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<sup>1</sup> Presented to Cabinet in February 2017

of escalating risks from service and project level to the Corporate Risk register if necessary. The Corporate Risk Register is reviewed regularly by the Council's Executive Directors and the Audit Committee receives reports on a half-yearly basis on the position of the register. In April 2017, the responsibility for collation of the Risk Register on behalf of the Senior Management Team was moved to the Policy, Performance and Personnel team. This change has strengthened the arrangements in place and provides additional resilience. In line with good practice, risk management continues to be closely linked to the achievement of the Council's objectives.

- 3.7.2 During 2016/17 the Council's Anti-Fraud and Anti-Corruption Strategy, which details the approach to its arrangements, has been reviewed and updated<sup>2</sup>. The Strategy covers the roles of elected Members, employees and managers (including contractors and agents), the Internal Audit and Fraud team and External Audit.
- 3.7.3 The Council investigates fraud relating to Council Tax and Business Rates payments, and also deals with National Fraud Initiative work. Responsibility for investigating benefit fraud transferred to the Department for Work and Pensions in 2015 and a referral system is in place between the Council and the DWP if fraud is suspected in respect of housing benefit and / or council tax support.

### **3.8 *Ensure effective management of change and transformation***

- 3.8.1 Over recent years, the Council has adopted a policy of seeking efficiencies and different ways of delivering services producing significant levels of savings. The savings achieved have been the result of considerable change and transformation. In October 2016 the Council published an 'Efficiency plan'<sup>3</sup> in order to fix a four-year financial settlement from the Government and work continues within all Directorates to produce the changes required to deliver the savings identified, before 2020/21. Executive Directors and all Service Managers and are directly involved in monitoring the work being completed and savings achieved are reported in the monthly budget monitoring reports. Where savings are achieved in advance of 2020/21 these will be transferred to reserves to fund investment in major capital projects which will provide future revenue income.
- 3.8.2 One of the corporate priorities is to deliver our 'channel-shift' programme. The key document for delivery is the 'Switched On' Transformation Plan which was refreshed during the 2016/17 year to keep account of elements that were delivered. The plan sets out how the authority is approaching service transformation, and introducing improved digital services across the organisation and is underpinned by communications and training plans to support employees through the changes required, equipping them with the skills they will need to implement new ways of working.
- 3.8.3 The Council's shift towards digital services progressed well during 2017/18 with improved take up of My Account, use of online integrated forms and the online help function. These are key parts of the channel shift programme and provide the foundation for much of the work planned in this area over the remaining life of the Corporate Business Plan. The new website is fully responsive and works well across

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<sup>2</sup> Presented to Cabinet in February 2017

<sup>3</sup> [https://www.west-norfolk.gov.uk/info/20160/budgets\\_and\\_spending/511/efficiency\\_plan\\_2016-2020](https://www.west-norfolk.gov.uk/info/20160/budgets_and_spending/511/efficiency_plan_2016-2020)

a wide range of devices such as tablets and mobile phones. Feedback received on the change and how the change was managed was positive from both external customers and internal staff. During 2017/18, new/revised online forms were introduced for:

- Garden waste bin application forms with integrated online payments
- Landlord e-Registration
- Make an arrangement to pay your council tax arrears
- Apply for a Temporary Event Notice
- Housing Needs Enquiry Form
- Landlord and Agent – Tell us about a change of tenant
- Taxi licensing
- Street collection permit

There are also several new forms in development for Licensing which are awaiting functionality to process multiple payments which will be available during Spring 2018.

- 3.8.4 Take up of the new forms has been high with over 20,000 forms completed by customers since they went live. High levels of take up demonstrate the ease of use and benefit that being able to complete forms at a time convenient to the customer has enabled. Benefit forms integrate directly with our back office system and further work in 2017/18 will be completed to integrate revenues and environmental health forms into the respective back office systems.
- 3.8.5 During 2017/18, the Council 'Web Chat' function enabled customers browsing its website to chat directly to a customer services advisor. An average of 15 chats a day are now taking place and the data collected from the chats is being used to improve the information on the Council's website.
- 3.8.6 Throughout 2017/18, the Council promoted its 'My Account' service. Customers are able to create accounts from which they can register for personalised data such as council tax and benefit information, find information via a variety of frequently asked questions and submit and track requests for service. The system also enables them to upload documents to support their service request. To date, 13,500 accounts have been opened by customers.
- 3.8.7 The Council continues to encourage take up of digital services by providing assisted self-service facilities supported by Online Support Officers at the King's Court offices. It is hoped that this will help and encourage customers to self-serve themselves when they next need a Council service.
- 3.8.8 The Council's Performance Management Framework outlines how the corporate priorities, including channel shift and the associated transformations, translate into targets for staff.
- 3.9 *Ensure the authority's financial management arrangements conform to the governance requirements of the CIPFA statement on the 'Role of the Chief Financial Officer in Local Government'. Where they do not, explain why and how they deliver the same impact***

- 3.9.1 The CIPFA statement describes the roles and responsibilities of the Chief Financial Officer, who is bound by both professional standards and also legislative responsibilities, with a fiduciary duty to the local taxpayer.
- 3.9.2 The Council's arrangements fully comply with the principles described: the Chief Financial Officer reports directly to the Chief Executive, and is a member of the senior management team (called the Leadership Team in the CIPFA statement). Additionally during the 2016/17 year, the postholder's role title was re-designated as Executive Director, Finance Services and to strengthen our arrangements, a senior member of the Financial Services team was appointed as Deputy Section 151 Officer.
- 3.10 *Ensure the authority's arrangements conform to the governance requirements of the CIPFA statement on the 'Role of the Head of Internal Audit'. Where they do not, explain why and how they deliver the same impact***
- 3.10.1 The role referred to by CIPFA as the Head of Internal Audit has a critical role in delivering the organisation's strategic aims by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- 3.10.2 The arrangements in place for 2017/18 conformed to the requirements outlined in the above statement.
- 3.10.3 During 2017/18, the shared arrangement with Fenland District Council to manage the Internal Audit team was embedded<sup>4</sup>. The handover period began in November 2016 and a Section 113 agreement is in place to underpin the arrangement.<sup>5</sup> These arrangements have been entered into in order to provide a cost saving to the Borough Council, whilst at the same time continuing to provide an effective internal audit function through a different model of delivery. Care was taken when devising the new arrangements to ensure that the shared Internal Audit Manager will be able to provide the assurance required by management and Members, and issue an Audit Opinion for the Annual Governance Statement.
- 3.10.4 During the 2017/18 year, the Council tendered for new External Auditors as the transitional arrangements put in place following the close of the Audit Commission ended on 31 March 2018.
- 3.10.5 The Council's external auditor during 2017/18 was Ernst & Young, and the Council needed to have a new auditor in place before the end of the 2017/18 year. At its meeting on 5 September 2016, the Audit Committee recommended that the Council "opt-in" to the procurement process being run by the national sector led body Public Sector Audit Appointments Ltd (PSAA). Full Council approved this approach at the Council meeting on 17 November 2016.
- 3.10.6 The PSAA is completing the major procurement process to identify the firms which will carry out audits under contract to PSAA and the successful suppliers were announced in June 2017.

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<sup>4</sup> Cabinet report August 2016

<sup>5</sup> Section 113 of the Local Government Act 1972



### **3.11 Ensure effective arrangements are in place for the discharge of the Monitoring Officer and Head of Paid Service functions**

Effective arrangements are in place for the discharge of both roles.

3.11.1 The Council employs a Monitoring Officer who is responsible for ensuring compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service, the Monitoring Officer will report to full Council if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration. The Monitoring Officer's Annual Report summarises the more important matters arising from the Monitoring Officer's work for the Council from 1 April 2017 to 31 March 2018 and comments on other current issues. This was considered by Standards Committee on 12 April 2018. No contraventions have been identified or reported.

3.11.2 The Chief Executive is the Council's Head of Paid Service and has overall responsibility for the management and co-ordination of the employees appointed by the Council. The Chief Executive is required to report to the Council as appropriate with regard to the way in which the different functions of the Council are co-ordinated, the number and grades of staff required for the discharge of these functions, the way in which these people are organised and managed and the way in which they are appointed.

### **3.12 Carry out the main functions of an Audit Committee, as identified in CIPFA's 'Audit Committees: Practical Guidance for Local Authorities'**

3.12.1 From April 2016, the Council has had a standalone Audit Committee in place providing increased opportunity for effective assurance about the adequacy of financial and operational management and reporting.

3.12.2 The Terms of Reference of the Audit Committee were reviewed in September 2017 and amended in the 2017/18 year. Changes were made which included:

- Development of a Quality Assurance Improvement Programme (QAIP).
- Deletion of the Deputy Chief Executive role and transfer of responsibilities to Executive Director – Financial Services (S151 Officer).
- Change in title from 'Audit and Risk Committee' to 'Audit Committee'.
- Updates in relation to the Accounts and Audit Regulations 2016.

3.12.3 Training has been provided during 2017/18 to the members of the Audit Committee in key areas. Examples include training on undertaking audits, the Budget and a briefing on ICT back-up systems in the context of business continuity.

3.12.4 Each year, a review is undertaken of the effectiveness of the Audit Committee. For the year covered by this statement, the review was presented to the Audit Committee in May 2018. The review concluded that the Committee is continuing to perform effectively and the Council is meeting its requirements under the Accounts and Audit Regulations 2015.

### **3.13 Ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is legal**

- 3.13.1 The Council's Constitution provides a comprehensive framework for the management of the authority's business and ensures compliance with relevant laws, regulations, internal policies, codes of practice and procedures. The Council is the statutory body for many laws and the range of policies and codes of practice we have in place help to ensure compliance. Policy Review and Development Panels assist Cabinet and Council to ensure that compliance is considered where appropriate; report templates for those panels and for Cabinet ensure all elements are given consideration at the time the report is presented. Statutory Officers – Head of Paid Service, Monitoring Officer and Chief Financial Officer – are in post to monitor and ensure adherence.
- 3.13.2 All initiatives undertaken, including those with financial elements, are either progressed due to being a statutory requirement or because it will contribute to a key aim of the Council. All initiatives are reviewed by regular meetings of the Management Team and senior managers in order to ensure compliance and that spend is legal.
- 3.13.3 Other arrangements are in place to ensure compliance with relevant policies and to ensure that expenditure is legal. One example is the ICT Development Group; a small group which for the 2017/18 year consisted of the Portfolio Holder, a second Cabinet Member, the Executive Director and the ICT Manager. The group manages the ICT capital budgets, reviews all new proposed ICT developments and keeps up to date with pertinent legislation. Officers write a report to the group outlining their business case and decisions are taken on spend to ensure that it complies with the Council's priorities. The group monitors project delivery and items are recorded via agendas and minutes and met twice in 2017/18.
- 3.13.4 The Council remained 'Payment Card Industry (PCI) Compliant' in 2017/18; this is an increasingly important regulation in light of the Council's move towards more digital services and the public's reduced use of cheques. Compliance is judged in two ways – via an on-site audit, and through quarterly scans on behalf of the banks to try to find any vulnerability.
- 3.13.5 A Budget Monitoring Report is produced and provided to all Councillors on a monthly basis to ensure timely information is available on the Council's financial position. These changes are formally approved by Cabinet in order to form the base on which the new Financial Plan is then formulated. The report for the 2017/18 year was taken on February 2018.
- 3.13.6 Additionally, to ensure that senior members are kept abreast of relevant matters in a timely manner, the Chief Executive (or another representative from Management Team) meet weekly with the Leader of the Council.
- 3.13.7 The Council's insurance arrangements are sufficient and there are clear procedures and responsibilities established for reviewing insurance needs. Procedures are in place regarding new assets acquired during the year, how these are insured, logged in the authority's asset register and notified to the nominated insurance officer.

### 3.13.8 The Council:

- has adequate security arrangements, which are clearly understood and applied by all officers and members, to ensure that buildings, valuable equipment and other key assets are safeguarded.
- maintains inventories of all equipment and assets and that these are checked on a periodic basis.
- has in place procedures and processes for the movement, transfer and disposal of all key assets which ensure that they are authorised and recorded as appropriate.

3.13.9 The Council holds significant levels of personal and confidential data requiring robust data protection, information governance and security systems and processes to effectively protect and manage it. The Council also shares personal and confidential data with partners and providers. The General Data Protection Regulations (GDPR) impose additional obligations on the Council in its discharge of effective information governance. An authority wide training programme was deployed in early 2018 and is supported with online materials.

### **3.14 *Ensure arrangements are in place for whistleblowing and receiving and investigating complaints from the public***

3.14.1 The Council has a Whistleblowing Policy in place, produced in accordance with the provisions of the Public Interest Disclosure Act 1998. This policy is available to all staff and members on the Council's Intranet and was updated during the 2016/17 year.

3.14.2 The Council has a Corporate Complaints procedure in place, available on the Council website. The Council also deals with any incidents of racial complaints, or complaints relating to a disability, in a similar but separate process. The complaints received are analysed and results presented to the Corporate Performance Panel on an annual basis.

### **3.15 *Identify development needs of members and senior officers in relation to their strategic roles, supported by effective training***

3.15.1 The Council provides a comprehensive programme of learning and development to officers and members. Learning and development needs for staff are identified through the performance management process and in response to organisation/service level needs and these are translated into an annual training programme. The Council has a commitment to management training and delivers a range of development activities to support managers at all levels, including specific training to support the development of service managers. A group of service managers completed a Level 7 management programme in 2017 and a second cohort of managers are undertaking the same programme. A number of one-off 'Extended Management Team Development Sessions' have been arranged to ensure Service Managers are kept up-to-date on current issues. Senior Officers also participate in relevant sessions relating to changing technical requirements to ensure the up to date position is known and to feed in to relevant central government departments at appropriate times; examples are attendance at Efficiency Plan

preparation sessions, Cabinet Office briefing, Electoral Commission meetings and 100% Business Rates Retention sessions.

- 3.15.2 Member's development needs are identified through use of a questionnaire following their election, and are also identified during the year as matters arise at meetings and questions of training needs arise. Particular emphasis has been given to ICT training for Councillors during the 2016/17 year to continue to support the ongoing change to paperless agendas for the majority of meetings and other changes such as electronic expenses claims, which went live in April 2016. Feedback forms following any training undertaken continue to be used to develop training in areas where further needs have been identified. Plans are in place for an additional training needs analysis to take place during the 2017/18 year to ensure members training needs are being met. The Disability Awareness e-learning package currently available for staff is to be extended to Elected Members, funded from the Member Development budget. As part of awareness raising for the Council's updated policy, Members have received training on Safeguarding in January 2018.
- 3.15.3 The Policy Review and Development Panels regularly receive updates on relevant topics as part of their agenda, particularly around any new or current initiatives, and training is run throughout the year as identified. Topics for updates or training are identified either by officers or members and helps to ensure members are better informed and have input at an early stage. The Audit Committee have received specific briefings / training throughout the year due to the Committee's updated remit.
- 3.15.4 Briefings are offered to members prior to virtually every Full Council meeting on a wide range of topics; topics covered in the year under review have included Devolution and the work of the Boundary Commission for England. Members have also had the opportunity to tour the Town Hall following completed development work.

### **3.16 *Establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation***

- 3.16.1 The Council welcomes views from the public and community as part of the constitutional process. These views are considered through formal and informal consultation processes. Examples of consultations undertaken with the public in 2017/18 are: 2018/19 Council Tax Support Scheme, closure of public toilets, [public space protection order relating to Mintlyn Wood Road to prevent flytipping](#) and the [Hunstanton Coastal Management Plan](#).
- 3.16.2 For the annual consultation on the local Council Tax Scheme during the year under review, we tried a new approach, utilising Borough Councillors and Parish Councils, asking them to engage with their constituents to provide opinions. Members of the public are also able to ask questions on a topic or service within the Council's control at Full Council meetings.
- 3.16.3 A King's Lynn Area Consultative Committee is in place, which is made up of the Councillors for the unparished area of King's Lynn and West Lynn. The Committee's Terms of Reference state that the Committee is to act as a consultative forum and to encourage community engagement. The Committee meets 5-6 times a year to

discuss and make recommendations on issues relating to the unparished area of King's Lynn and West Lynn.

- 3.16.4 There is an expectation from the majority of Parish Councils in the Borough for the relevant Borough Councillor(s) to attend most, if not all, of their meetings; this assists with maintaining effective communication with Parish Councils and therefore the communities that they serve.
- 3.16.5 The Council uses a variety of corporate communication tools including a website, intranet site, a newsroom, newsletters, media releases and social media to communicate and engage with the community and staff. [Facebook](#) and [Twitter](#) are used effectively to update on service provision. Social media is used for specific events, such as the Hanse Festival, and the Town Hall has its own [Twitter](#) and [Facebook](#) accounts to help engage with potential customers and promote the venue. Results of all methods of communication are fed back into service delivery, ensuring accountability. The Council also monitors feedback from residents and service users through compliments and complaints received.
- 3.16.6 A West Norfolk Partnership initiative called "[Love West Norfolk](#)" was launched in January 2018. 'Love West Norfolk' aims to create pride and aspiration within the local area and give people a voice on what they believe makes the area so special. The campaign is being headed up by key community leaders, including the Chief Executive and Leader of the borough council, and the Chief Executives of the Queen Elizabeth Hospital, the College of West Anglia, Freebridge Community Housing, Community Action Norfolk, and the Clinical Commissioning Group. It is also supported by Norfolk County Council. People will be able to share their views on what they love about the area via social media and events. Companies will also be getting involved and will be running consultation and engagement activities for employees and customers to share what they think sets west Norfolk apart.
- 3.16.7 During 2017/18, the Council was an active partner in the Wash East Coastal Management Strategy Stakeholder Forum and was leading plans to manage risk to Hunstanton's coastline. The forum includes a wide range of public, private and voluntary sector organisations and consulted upon plans for managing a beach and addressing flood and coastal erosion risks. The Council has contributed officer and financial resources to this activity.
- 3.16.8 During 2017/18 the Council has complied with the requirements of the Local Government Transparency Code 2014. The Code makes it a legal requirement for local authorities to publish specified data by prescribed deadlines and thereafter annually. The Council publishes all specified data on its website, in the prescribed format, by the required deadline. This makes a direct line to the requirement to establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- 3.16.9 [The Statement of Community Involvement](#) was approved by Council in June 2017 and outlines how the Council will consult with the public as part of the Local Plan process, on Planning Applications, and also on Neighbourhood Plans.
- 3.16.10 Cabinet approved a protocol and Terms of Reference for four Member Champions who act as an advocate or spokesperson for a specific area of the Council's business. The main responsibility of each member champion is to encourage communication and positive action over the issue they represent. The

Council member champions are for Disability, Armed Forces, Heritage and Coastal issues.

**3.17 Incorporate good governance arrangements in respect of partnerships and other joint working and reflect these in the authority's overall governance arrangements**

- 3.17.1 The Council participates in a range of joint working arrangements with other bodies, some of which are more significant than others in terms of the potential for a detrimental impact on the Council should the partnership fail. Some arrangements are formal, and are a way to deliver the Council's duties and obligations, such as CNC Building Control and the shared audit management with Fenland District Council. These arrangements are subject to formal governance arrangements and include processes for reviewing the delivery of benefits, and, where performance is unsatisfactory, arrangements for termination.
- 3.17.2 The Council, as a responsible authority<sup>6</sup>, is a member of Norfolk Community Safety Partnership with a district based multi-agency Operational Partnership Team and Norfolk Community Safety Scrutiny Sub Panel.
- 3.17.3 District councils not only affect public health through their direct roles and functions but also through their power to influence other bodies such as county councils, the local NHS, and health and wellbeing boards. The Council is a member of Norfolk Health and Wellbeing Board and the related Norfolk Health Overview Scrutiny Committee.
- 3.17.4 There are a range of countywide collaborative partnerships that the Council engages with. Examples include Norfolk Business Rates Pool, Norfolk Arts Forum Executive, Norfolk Coast Partnership Management Group, Norfolk Joint Museums and Archaeology Committee, Norfolk Local Authority Tourism Group, Norfolk Parking Partnership Joint Committee, Norfolk Police and Crime Panel, Norfolk Rail Policy Group, Norfolk Records Committee and Norfolk Waste Partnership.
- 3.17.5 Focusing on the Norfolk Waste Partnership, discussions have been held with neighbouring councils in Norfolk to consider the most cost effective and economically advantageous approach to the procurement of the waste and recycling functions. The review had identified that the most cost effective service would best be achieved through a joint procurement of the service. The potential for savings in the procurement of a collection contract for waste and recycling are more likely to be achieved by joint procurement and savings could also be made through the sharing of the costs of procurement exercise. The Executive Director for Commercial Services was authorised to commence a joint procurement for the Borough council's refuse and recycling contract undertaken with North Norfolk District Council and other potential partners.
- 3.17.6 Turning to spatial matters, the Council contributed to the development of the [Norfolk Strategic Framework](#) which documents areas of agreement that the Norfolk local planning authorities had reached and which they would follow when they prepared their individual local plans. It had been prepared by an officer team drawn from all of the Norfolk Authorities supported by others from organisations such as the Environment Agency, Anglian Water and the New Anglia LEP (the Greater

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<sup>6</sup> Crime and Disorder Act 1998

Cambridge Greater Peterborough Enterprise Partnership had also endorsed it). The Framework will help ensure that the Council discharges its legal duty to co-operate with neighbouring authorities in relation to strategically important land use issues which cross administrative boundaries. The result of such co-operation is expected to be better planning outcomes.

- 3.17.7 There are also a number of partnerships and outside bodies at or within borough level which are independent from the Council, but have an impact on its service areas. In order that the Council can maintain effective partnerships with a number of these organisations, representatives of the Council, usually elected councillors, sit on the various committees and forums that are responsible for them. Examples include West Norfolk and King's Lynn Girls School Trust, West Norfolk Chamber of Commerce Council, West Norfolk Community Transport Project, West Norfolk Sports Council Management Committee, West Norfolk Tourism Forum Executive Forum. Oversight of these is a responsibility of the appropriate scrutiny panel.
- 3.17.8 Other partnerships are of a contractual nature, such as the delivery of leisure services via Alive Leisure, procurement support to Boston Borough Council, delivery of the Council's payroll processing or the Housing Strategy and Enabling Service that the Council will deliver for neighbouring Breckland District Council. In February 2018, Cabinet agreed to deliver the Notice Processing for on and off street parking for Great Yarmouth and South Norfolk councils in addition to North Norfolk, Breckland and Broadland. These partnerships are also subject to formal governance arrangements, are reviewed regularly, deliver benefits to the Council such as additional income, provide good value for money for the receiving organisation as the Council maximises its own existing infrastructure, but are not delivering our own statutory obligations.
- 3.17.9 The Council also continues to participate in an informal, collaborative partnership with local partners via the West Norfolk Partnership Strategy Group. The strategy group agrees priority issues which will benefit from a combined and coordinated response from partners. New terms of reference were implemented in April 2017 and have been adhered to during 2017/18.
- 3.17.10 The Council is mindful of the financial and reputational risks that can arise through entering into joint working and collaborative arrangements. It therefore actively supports open and transparent arrangements in all its partnership working.

### **3.18 Appendix A**

The table at Appendix A demonstrates how the core and supporting principles of corporate governance, as detailed in the Council's adopted Code of Corporate Governance have been upheld during the 2017/18 year.

## **4. Review of effectiveness**

- 4.1 The Council has a responsibility to review the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Internal Audit and the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, the Monitoring Officer's Annual Report and also by comments made by the external auditors and other review agencies and inspectorates, where undertaken.

4.2 The process of maintaining and reviewing the effectiveness of the system of internal control includes the following measures and actions:

- The Audit Committee has oversight of the activities of the Council's internal and external audit functions. Members of the Audit Committee are provided with copies of all reports produced by Internal Audit and the external auditors, and also receive regular reports on matters relating to finance, fraud investigation and risk management. The Committee approves the annual plans for Internal and External Audit, and receives regular progress reports throughout the year. The Audit Manager submits to the Committee an Annual Report and Opinion, and the external auditors submit an Annual Audit letter. The Audit Manager has included an audit opinion on the adequacy and effectiveness of the council's systems of internal control in the Annual Report and Opinion on work completed during 2017/18 which went before the Audit Committee on 30 May 2018. The report states that in the Audit Manager's opinion, the Council's control arrangements were adequate and effective in 2017-18, with sound controls in all key areas.
- The Audit Manager has also completed a review of the effectiveness of the Audit Committee itself. The result was reported to Cabinet on 25 June 2018 and concluded that the Committee is continuing to perform effectively and the Council is meeting its requirements under the Accounts and Audit Regulations 2015.
- During 2017/18 Internal Audit has issued 3 reports with a 'Limited Assurance' rating. There were no instances of 'No Assurance' reports being issued.
- The Council's external auditors review the activities of the Council, approve the annual accounts and certify grant claims (where required). Conclusions and significant issues arising are detailed in various reports from the auditors. Their 'Audit Results Report – ISA (UK and Ireland) 260' went before the Audit Committee on 31 July 2017 and the Annual Audit Letter went before the Audit Committee on 27 November 2017. These reports from the external auditors refer to the 2016/17 financial year (the latest available) and they confirmed that the Council had put in place proper arrangements to secure value for money in its use of resources, and that the financial statements gave a true and fair view of the financial position of the Council as at 31 March 2017.
- A Member / Officer protocol is in place and forms part of the Council's constitution.
- The Monitoring Officer issued an Annual Report covering the 2017/18 year which went before the Standards Committee on 12 April 2018 and provides an overall opinion on the adequacy and effectiveness of the Governance framework. The report stated that the systems of internal control administered by the Monitoring Officer were adequate and effective during the year between April 2017 and March 2018 for the purposes of the latest regulations.
- Additionally, it is the responsibility of the statutory officers to report to Council on any issues concerning the review of the effectiveness of internal control arrangements. There have been no issues arising during 2017/18 which have required the full Council to exercise its role.

4.3 To summarise this section: a review of the Council's overall governance arrangements for the 2017/18 year has been undertaken; the review has not highlighted any issues



of significant weaknesses in governance or internal control during the year. All arrangements outlined in section 4 are in place and operating as planned.

## **5. Areas of special interest in terms of governance**

### Leisure arrangements

5.1 The Council's leisure and arts facilities have been operated and managed through an independent Trust and wholly owned Local Authority Company since 1 September 2014. Full details of the arrangements in place are contained within the Council's 2016 and 2017 Annual Governance Statements (covering the 2015/16 and 2016/17 years) and are therefore not repeated here as there have been no material changes to the arrangements.

### Legal arrangements

5.2 The Council's legal service continues to be delivered via a delegated agreement on an annual, rolling basis, with Eastlaw (the in-house legal team at North Norfolk District Council). The agreement is designed to provide resilient and quality legal services to the Borough Council and includes provision of a Monitoring Officer; one of the Council's designated statutory posts. Eastlaw provide the client role for commissioned legal services, as well as providing general advice and support for processing Freedom of Information requests and the General Data Protection Regulation.

### Local Authority Housing Company

5.3 In August 2016, Cabinet resolved<sup>7</sup> to set up a wholly owned Local Authority Company the main purpose of which is to help meet the Council's statutory housing duties, by holding property that will be purchased and / or leased from the Council in order to create and provide affordable housing. The company is called the West Norfolk Housing Company Ltd and is a company limited by shares. Governance elements were set out in the 2017 Annual Governance Statement and are therefore not repeated here. At its meeting on 31 October 2017, the Board adopted new articles of association, appointed a Chief Operating Officer, considered new terms of reference, appointed a vice-chairman, aligned its financial reporting with that of the Council and endorsed role descriptions of Board Members and the Chair.

### West Norfolk Property

5.4.1 The 2017 Annual Governance Statement set out governance arrangements for this vehicle to hold new private rented sector stock in the Borough.

5.4.2 Cabinet in January 2018 agreed:

That the Housing Company be called "West Norfolk Property"

That the Membership of the new West Norfolk Property Housing Board be made up of the following:

- 3 Councillors: Portfolio Holders for Corporate Projects and Assets, Housing and Community and the Leader
- 2 Officers: Strategic Housing Manager and Chief Executive

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<sup>7</sup> 2 August 2016

- the Executive Director – Financial Services appointed as Company Secretary.

### West Norfolk Wins (local lottery)

5.5 The introduction of a local lottery requires two licences approved by the Gambling Commission. These are held by the Executive Director – Finance Services (Section 151 Officer) and the Executive Director – Environment and Planning. In addition Norfolk Community Foundation to provide an independent due diligence review of these arrangements.

## **6. Known changes in the 2018/19 year**

### 6.1 Timetable for Accounts

It is a statutory requirement for the closedown of the 2017/18 accounts (which will be completed in the 2018/19 year) and each year thereafter, to be adopted by 31 July rather than 30 September. In preparation for this, the Council's accounts for the 2017/18 year (being completed within the 2018/19 year) are being prepared for adoption early, at the Audit Committee on 30 July 2018. All processes have been brought forward, including those undertaken by the external auditors in order to ensure that the revised statutory timescales can be met.

### 6.2 Boundary Commission for England review

The Local Government Boundary Commission for England is progressing with its ward boundary review for the Council. The preliminary stage of the review, which considered the number of Councillors required commenced in February 2017 and concluded in May 2017. A Cross-Party Boundary Review Task Group was established in April 2017 to move forward the second part of the review concerned with identifying the ward boundaries and is currently underway. The review is scheduled for completion in April 2018.

### 6.3 Equalities Policy

Cabinet in January 2018 approved a revised Equalities Policy incorporating changes to legislation with regards to equalities issues, which have been reflected in the Council's procedures and practices but which were not reflected in the previous policy. An implementation plan will be developed, with a particular focus on ensuring the Council meets its equality objectives. A review of existing equalities training is also planned and will include consideration of training for Elected Members, in consultation with the Leader, Portfolio Holder and Democratic Services.

### 6.4 New policy review and implementation of policy guidance

Following the Internal Audit and review of policies, guidance has been approved by Management Team. The policy register will be updated through 2018/19 and policies brought forward during the year will be developed using the guidance. The intranet will also be updated.

### 6.5 New cultural prospectus

The prospectus will be used to assist with engagement with key partners and potential co-investors and assist with an application to become a National Portfolio

Organisation (NPO) through the Arts Council. The Council will seek to integrate its current approach to areas such as bid development, partnership delivery, infrastructure development, creative employment, heritage and the public realm and master planning. This will ensure that our efforts are more joined-up, and that our key partners better understand our plans and how they can best support us to accelerate growth.

6.6 Implementation of Tree and Woodland Strategy 2017 to 2027

The Council's strategy has been developed in consultation with the Environment and Community Panel and the draft strategy proposes a 10 year plan for managing the valuable stock of trees and woodland. The strategy is anticipated to be approved in 2018/19.

6.7 Testing business continuity arrangements and refreshing the business continuity plan

The Council's business continuity arrangements were tested in January 2018 (Metis 17) with a desktop exercise that involved senior officers and the Leader of the Council. An evaluation report was presented to Management Team in February 2018. A further test is planned to take place later in 2018. The business continuity plan will be refreshed during 2018/19.

6.8 Review of retention and disposal policy and schedule

The Council's retention and disposal policy and schedule will be refreshed during 2018/19 reflecting changes in legislation such as the General Data Protection Regulation, ICT systems and operational practices.

6.9 Updating Contract Standing Orders

A refresh of Contract Standing Orders will take place during 2018/19 amending it to accommodate electronic tendering, rolling out updated digital content and training for officers.

6.10 Health, Safety and Welfare General Policy

The Council's Health, Safety and Welfare General Policy will be reviewed and considered by the Joint Safety and Welfare Committee prior to seeking Full Council approval in May 2018. The revisions will relate to legislative and procedural changes.

## **7. Action Plan**

7.1 In the Annual Governance Statement for 2016/17 an action plan for 2017/18 was set out to deal with governance issues identified during the review for that year and is attached at Appendix B.

7.2 The action plan for 2018/19 is attached at Appendix C.

## **8. Assurance summary**

8.1 From the review undertaken, the assessment and ongoing monitoring work completed<sup>8</sup> and supported by the verification work undertaken by Internal Audit, we

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<sup>8</sup> By the Audit Committee during 2017/18

have reached the opinion that key systems are operating soundly and that there are no fundamental weaknesses.

- 8.2 No system of internal control could provide absolute assurances against material misstatement or loss; this statement is intended to provide reasonable assurance. We are satisfied that an on-going process for identifying, evaluating and managing key risks exists. These risks are reflected in the audit plan, the Corporate Risk Register and are the subject of separate reports during the course of the year.
- 8.3 We propose over the coming year to take steps to address matters identified to further enhance our governance arrangements. We are satisfied that the steps outlined at Appendix C will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed:**

Cllr Brian Long  
Leader of the Council  
Date:

Ray Harding  
Chief Executive  
Date:

Cllr Graham Middleton  
Chair of the Audit Committee  
Date:

**APPENDIX A: EVIDENCE LIST – HOW THE PRINCIPLES OF CORPORATE GOVERNANCE HAVE BEEN ADHERED TO DURING THE 2017/18 YEAR**

<b>Policies, Rules &amp; Codes</b>	<b>Strategies, Processes and Frameworks</b>	<b>Key documents</b>	<b>Functions</b>
<ul style="list-style-type: none"> <li>• Anti-fraud and Anti-corruption Strategy</li> <li>• Capital Strategy</li> <li>• Code of Conduct</li> <li>• Computer usage policy</li> <li>• Constitution</li> <li>• Data Protection and FOI policies</li> <li>• Data Quality Strategy</li> <li>• Employment rules</li> <li>• Equality policy</li> <li>• Financial procedure rules and standing orders (within Constitution)</li> <li>• Financial regulations</li> <li>• Health and Safety Policy</li> <li>• ICT strategy and action plan</li> <li>• Medium Term Financial Strategy</li> <li>• Member/Officer protocol</li> <li>• Members' allowances scheme (Constitution)</li> <li>• Members' code of conduct (Constitution)</li> <li>• Officers' code of conduct (Constitution)</li> <li>• Pay policy statement</li> <li>• Procedure rules (contracts, employment, meetings) (Constitution)</li> <li>• Procurement regulations</li> <li>• Procurement strategy</li> <li>• Protocol on member / officer relations (Constitution)</li> <li>• Prudential code</li> <li>• Record Retention Policy and Schedule</li> <li>• Risk Management Strategy</li> <li>• Safeguarding Policy</li> <li>• Scheme of Delegation (within Constitution)</li> <li>• Training abroad with Council devices policy</li> <li>• Treasury Management Policy statement</li> <li>• Whistleblowing policy</li> <li>• Workforce learning and development</li> </ul>	<ul style="list-style-type: none"> <li>• Benchmarking</li> <li>• Budget consultation</li> <li>• Budget process</li> <li>• Business continuity framework</li> <li>• Car Park Management</li> <li>• Civil Parking Enforcement</li> <li>• Competency frameworks</li> <li>• Complaints process</li> <li>• Corporate Business Plan</li> <li>• Customer Care Standards</li> <li>• Customer feedback process</li> <li>• Environment policy</li> <li>• Environmental Statement</li> <li>• EQIA policies</li> <li>• Equality Monitoring</li> <li>• Extended Managers Meetings</li> <li>• Health and Safety policy</li> <li>• Induction process (member and officer)</li> <li>• Internal Audit Strategic Plan</li> <li>• Job evaluation process</li> <li>• Legal Services</li> <li>• Managing performance (people) framework (including appraisal process)</li> <li>• Meeting timetable</li> <li>• Member allowances publication</li> <li>• Member training</li> <li>• MRF Partnership Care &amp; Repair</li> <li>• MT/Union meetings</li> <li>• Officer membership of professional bodies</li> <li>• Performance Management (business) framework</li> <li>• PRP targets</li> <li>• Risk management process</li> <li>• Scrutiny framework (Constitution)</li> <li>• Senior Staff Salary publication</li> <li>• Staff Briefing</li> <li>• Training for Chairs</li> </ul>	<ul style="list-style-type: none"> <li>• Agendas &amp; Minutes</li> <li>• Alive Trust/Management Suite</li> <li>• Annual audit letters</li> <li>• Annual Directorate Plans</li> <li>• Annual Governance Statement</li> <li>• Assurance Statements</li> <li>• CCTV Operating Manual</li> <li>• CNC Building Control</li> <li>• Committee reports, agendas and minutes</li> <li>• Complaints reports</li> <li>• Consultation register</li> <li>• Corporate Risk Register</li> <li>• Council tax booklet</li> <li>• Council website</li> <li>• Delegation Agreement &amp; SLA</li> <li>• Employee Handbook</li> <li>• Enforcement Policy</li> <li>• External inspection / review reports</li> <li>• Harassment Procedure</li> <li>• Internal Affairs</li> <li>• Intranet</li> <li>• JNC terms &amp; conditions</li> <li>• Job descriptions/specs</li> <li>• Key decisions (within Constitution)</li> <li>• Law &amp; governance</li> <li>• Local Plan</li> <li>• Members Bulletin</li> <li>• Neighbourhood Development Plans</li> <li>• Publication Scheme (FOI)</li> <li>• Quarterly Performance Reports</li> <li>• Record of decisions</li> <li>• Registers of interest</li> <li>• Report templates</li> <li>• Salary scales</li> <li>• Senior management remuneration report</li> <li>• Service level agreements</li> <li>• Service plans</li> <li>• Standard timetable for circulation of agendas</li> <li>• Statement of Accounts</li> <li>• Statement of Internal Control (part of AGS)</li> <li>• Timetable of council meetings</li> <li>• Training programmes</li> <li>• Transparency publications</li> <li>• West Norfolk Partnership</li> <li>• Workforce development and plans</li> <li>• Working Protocol</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Community Information Points</li> <li>• Democratic Services</li> <li>• External audit (and other reviews)</li> <li>• Finance service</li> <li>• Functions and responsibilities of senior officers and councillors (within Constitution)</li> <li>• Head of Paid Service</li> <li>• Health and Safety Officer</li> <li>• Human Resources</li> <li>• ICT Development Group</li> <li>• Independent remuneration panel</li> <li>• Internal Audit</li> <li>• Local Government Ombudsman (report)</li> <li>• Management Team</li> <li>• Monitoring Officer</li> <li>• Monitoring Officer report</li> <li>• Policy Development and Review Panels</li> <li>• PR/Communication</li> <li>• S151 officer</li> <li>• Social media</li> <li>• Standards Committee</li> <li>• Statutory reports</li> <li>• Terms of reference for committees (Constitution)</li> <li>• Website</li> <li>• Weekly CEO/Leader meetings</li> </ul>

## APPENDIX B: ACTION PLAN FOR THE 2017/18 YEAR

	Item	Action	Responsible Officer	Target Date	Status (Complete or add notes)
1	Financial Sustainability (Underpinned by Financial Plan 2016-2021)	Ensure robust processes are in place for identifying, delivering and monitoring cost reduction efficiencies and income generation	Executive Director, Finance Services	March 2018	Progress is reported in the monthly monitoring report, reviewed bi-monthly by Management Team and was reviewed with EMT on 10 October 2017.  Monitoring arrangements for corporate projects being developed now that the Performance and Information Officer in Property Services is now in post.  Monthly updates to Management Team on corporate projects.
2	Internal Audit	Embed and monitor new Internal Audit arrangements	Executive Director, Finance Services	March 2018	A shared internal audit manager with Breckland District Council took over from 1 April 2017. Progress meetings are held weekly with Exec Director Finance Services. Section 113 agreement in place, signed copy held by HR
3	External Audit	Ensure a robust tender process takes place to put in place new external audit arrangements	Executive Director, Finance Services	March 2018	PSAA undertook tender process. Ernst and Young are the proposed external auditor for the Council the appointment to be confirmed at the meeting of the PSAA on 14 December 2017.
4	Accounts Payable Audit	An audit of the Accounts Payable for the past 6 financial years by an external organisation to take place	Executive Director, Finance Services	March 2018	Liaison has undertaken the audit review and have identified less than £10k of payments over the 6 year period which are potential duplicate payments. This is against creditor payments of around £200m over the period. Liaison are now contacting suppliers to obtain refunds and will take their fee from monies returned.
5	Business Rates Audit	Further review of transitional relief processes / arrangements	Executive Director, Finance Services	March 2018	Audit undertaken and further training has been delivered.
6	Public Services Network (PSN) compliance	Ensure PSN compliance during 2017/18 including progressing any actions identified as a result of the 2016 audit	Executive Director, Central and Community Services	March 2018	ICT rectified health check recommendations as outlined in August 2017 following NTA monitoring our external penetration testers. Compliance document submitted to Cabinet Office. We are compliant until April 2019 and will submit a compliance document to the Cabinet Office during February 2019.
7	Payment Card	Respond to issues	Executive Director	March 2018	Issues outlined in the 2017 audit

	Item	Action	Responsible Officer	Target Date	Status (Complete or add notes)
	Industry (PCI) compliance	identified during the 2015 PCI audit	Director, Central and Community Services		have been resolved. ICT are in the process of preparing for the 2018/19 audit, which is to take place at the end of October / early November 2018.
8	Risk Management	Embed revised arrangements for production of the Corporate Risk Register	Executive Director, Central and Community Services	March 2018	Responsibility for supporting production of the Corporate Risk Register transferred to the Policy, Performance and Personnel team from 1st April 2017. Prior to this work was undertaken with the officer who formerly held this responsibility to ensure a smooth transition and clear understanding of the work that needed to be undertaken was obtained. The first update to the register under the new arrangements was successfully reported to Audit Committee in May. The second update was reported to Audit Committee in November 2017.
9	Review of Ward Boundaries (Review by Local Government Boundary Commission for England)	Ensure active participation in the review in order to ensure the best possible evidence based outcome for West Norfolk	Executive Director, Central and Community Services	March 2018	The review was completed by Members and officers and agreed by Council at a special meeting on 31 August 2017 and submitted to the LGBC within their deadline of 4 September 2017. We will now await the considerations of the LGBC.
10	Corporate policies	Introduce arrangements to co-ordinate and monitor the publication and updating of agreed policies	Executive Director, Central and Community Services	March 2018	Work to compile a register of all current policies and a template, with associated guidance, to support policy development going forward is well underway. The new Safeguarding Policy, and forthcoming new Equality Policy, have been developed using this guidance as a trial run of our recommendations. Management Team agreed guidance at the end of the financial year 2017/18.

## APPENDIX C: ACTION PLAN FOR THE 2018/19 YEAR

	Item	Action	Responsible Officer	Target Date
1	Code of Corporate Governance	Review Code of Corporate Governance and gain Council approval to demonstrate good governance.	Chief Executive	December 2018
2	Scrutiny changes	Implementation of recommendations from Scrutiny review 2017/18.	Executive Director, Central and Community Services	March 2019
3	Baseline Personnel Security Standard	Completion of review.	Executive Director, Central and Community Services	March 2019
4	Business Continuity	Testing arrangements and refresh of the business continuity plan.	Executive Director, Environment & Planning	March 2019
5	Corporate policies	Implement new arrangements including update to intranet, refresh of policy register and application of template to policies developed during 2018/19.	Executive Director, Central and Community Services	March 2019
6	Cultural prospectus	Consideration of governance issues regarding new arrangements to access funding.	Executive Director, Commercial Services	March 2019
7	General Data Protection Regulations	Roll out of training programme and completion of e-learning package.	Chief Executive	March 2019
8	Service manager development programme	Completion of programme by Cohort 2	Executive Director, Central and Community Services	Summer 2018
9	Review of Ward Boundaries (Review by Local Government Boundary Commission for England)	Ensure active participation in the final stage of the review in order to ensure the best possible evidence based outcome for West Norfolk	Executive Director, Central and Community Services	December 2019
10	Equalities Policy	Delivery of implementation plan including training for officers and members.	Executive Director, Central and Community Services	March 2019
11	Retention and Disposal Policy and Schedule	Update the Retention and Disposal Policy and Schedule.	Chief Executive	March 2019
12	Data Quality Policy Statement and Strategy	Review of policy and strategy to ensure conformity with the GDPR and emerging UK legislation.	Executive Director, Central and Community Services	March 2019
13	Review Of Contract Standing Orders	Undertake a review Of Contract Standing Orders and roll out updated	Deputy Chief Executive	March 2019



	Item	Action	Responsible Officer	Target Date
		digital content and training for officers.		
14	Health, Safety and General Welfare Policy	Review the policy to consider legislative and procedural changes.	Executive Director, Environment & Planning	May 2018
15	West Norfolk Housing Company Limited	Review the governance arrangements for West Norfolk Housing Company Limited with an objective of being a not for profit organisation.	Chief Executive	June 2018
16	Public Services Network (PSN) compliance	Ensure PSN compliance during 2018/19 including progressing any actions identified as a result of the 2018 audit	Executive Director, Central and Community Services	April 2019
17	Payment Card Industry (PCI) compliance	Respond to issues identified during the 2017 PCI audit	Executive Director, Central and Community Services	October 2018

## Agenda Item 10

REPORT TO:	<b>AUDIT COMMITTEE</b>		
DATE:	30 July 2018		
TITLE:	<b>ANNUAL TREASURY OUTTURN REPORT 2017/2018</b>		
TYPE OF REPORT:	Recommendation		
PORTFOLIO(S):	Cllr B. Long E-mail: <a href="mailto:cllr.Brian.Long@West-Norfolk.gov.uk">cllr.Brian.Long@West-Norfolk.gov.uk</a>		
REPORT AUTHOR:	Toby Cowper E-mail: <a href="mailto:toby.cowper@west-norfolk.gov.uk">toby.cowper@west-norfolk.gov.uk</a> Direct Dial: 01553 616523		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

**Date of meeting: 30 July 2018**

### **ANNUAL TREASURY OUTTURN REPORT 2017/2018**

#### **Summary**

The Council has formally adopted the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (2009) and remains fully compliant with its requirements.

This Annual Treasury Outturn Report looks backwards at 2017/2018 and covers:

1. The 2017/2018 Treasury Outturn
2. Compliance with Treasury Limits
3. Outturn Summary

Additional supporting information:

- Appendix 1 - Investments as at 31 March 2018
- Appendix 2 - Borrowing as at 31 March 2018
- Appendix 3 - Property Investment Portfolio as at 31 March 2018
- Appendix 4 - Prudential Indicators
- Appendix 5 - The Economy 2017/2018

The Council's Treasury Policy Statement 2017/2018 and annual Treasury Strategy Statement 2017/2018 was approved by Cabinet on the 28 February 2017.

A copy of which can be found here: [Documents for 28 February 2017](#)

#### **Recommendations**

Audit Committee is asked to review the actual treasury outturn 2017/2018.

#### **Reason for the Decision**

The Council must make an annual review of its Treasury operation for the previous year, as part of the CIPFA code of Practice.

## 1. The 2017/2018 Treasury Outturn

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Council's Code of Practice on Treasury Management require that the Audit Committee consider an Annual Treasury Outturn Report.

1.2 During the year the Council maintained a cautious approach to investment and management of debt.

1.3 The Councils portfolio position as at 31 March 2018 was:

	31 March 2017 Actual £million	31 March 2018 Actual £million
Borrowing	13.00	13.80
Investments	(27.26)	(15.25)
<b>Net Position</b>	<b>(14.26)</b>	<b>(1.45)</b>

The reduction in investments between 31/3/2017 and 31/3/2018 is due to internal borrowing (effectively the councils has temporarily used its cash balances to fund capital projects rather than taking additional external borrowing). This is shown in the growth of the Capital Financing Requirement in Appendix 4

1.4 Interest receivable

Budgeted Interest Receivable	Actual Interest Received
(£317,850)	(£397,480)

The positive variance is mostly due to an additional £119,000 from internal borrowing charge against capital projects (Major Housing).

1.5 Interest payable

Budgeted Interest Payable	Actual Interest Paid
£480,000	£293,688

The positive variance is due to the use of internal borrowing instead of external borrowing.

Details of the investment portfolio as at the 31 March 2018 can be found in *Appendix 1*

Details of the borrowing portfolio as at the 31 March 2018 can be found in *Appendix 2*

## **2. Compliance with Treasury Limits**

- 2.1 During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement 2017/2018 and annual Treasury Strategy Statement 2017/2018. The outturn for the Prudential Indicators is shown in *Appendix 3*.

## **3. Outturn Summary**

### **In summary the Council:**

- Did not pursue any debt rescheduling as long term loans were reviewed against future long term rates and early repayment penalties.
- Ensured counterparty listings on our lending lists were maintained and updated regularly, and reported in monthly monitoring reports as necessary.
- Ensured priority was given to security and liquidity in order to reduce counterparty risk. This was achieved by adopting Link Asset Services methodology of using ratings from three agencies to provide the core element of the credit watch service with outlooks and credit default swaps spreads to give early warning signs of changes, and sovereign ratings to select counterparties.
- Undertook benchmarking with other local Councils to ensure that experiences were shared and investment instruments were consistent, while maintaining good credit quality and security.

**APPENDIX 1 - Investments as at 31 March 2018:**

<b>Institution</b>	<b>Principal</b>	<b>Start Date</b>	<b>End Date</b>	<b>Rate %</b>	<b>Ratings</b>
BNP (Banque Nationale de Paris) – Money Market Fund	£30,000	N/A	N/A	0.45	AAA
Svenska Handelsbanken	£950,000	N/A	N/A	0.43	AA
Barclays FIBCA – Call account	£1,510,000	N/A	N/A	0.35	A
<b>Total Call Accounts</b>	<b>£2,490,000</b>				
Cheshire West & Chester Council	£2,000,000	19/01/2018	20/01/2020	1.00	AAA
Barnsley Metro Borough Council	£2,000,000	21/09/2017	21/09/2020	0.92	AAA
Bury Metro Borough Council	£3,000,000	21/04/2016	23/04/2018	1.00	AAA
Surrey Heath Borough Council	£1,000,000	24/10/2017	24/04/2018	0.45	AAA
Moray Council	£2,000,000	23/02/2018	23/08/2018	0.75	AAA
Gaywood Community Centre	£10,200	20/07/2016	01/08/2021	1.00	
<b>Total Fixed Term Investments</b>	<b>£10,010,200</b>				
Norfolk & Waveney Enterprise Services (LEP)*	£2,750,000	Various	30/11/2018	1.80	
<b>Total NWES Investment</b>	<b>£2,750,000</b>				
<b>Total Overall Investments</b>	<b>£15,250,200</b>				

\*see also Appendix 2 borrowings from Suffolk County Council

## APPENDIX 2 - Borrowing as at 31 March 2018:

Start Date	End Date	Loan No	Value £	Institution	Rate	Term
19.03.18	31.03.18	3807	£1,000,000	South Somerset District Council	0.70%	13 day temporary loan
<b>Total Short Term</b>			<b>£1,000,000</b>			
22.03.07	21.03.77	5888	£5,000,000	Barclays – fixed rate loan	3.81%	Long Term - fixed for 70 year period.
12.04.07	11.04.77	5887	£5,000,000	Barclays – fixed rate loan	3.81%	Long Term - fixed for 70 year period.
15.09.09	14.09.19	495951	£300,000	PWLB	2.92%	Long Term – fixed for 10 years
27.03.14	30.11.18	3789	£2,500,000	Suffolk County Council (LEP)	1.80%	**see note below
<b>Total Long Term</b>			<b>£12,800,000</b>			
<b>Total Borrowing</b>			<b>£13,800,000</b>			

\*\*A loan was taken out, on behalf of Norfolk and Waveney Enterprise Services Ltd (NWES), with Suffolk County Council for the Local Enterprise Partnership. A corresponding investment is shown in Appendix 1 with NWES at the same rate of interest (£500,000 drawn down in 2013/2014, a further £274,275 followed in 2014/2015, with the remainder in 2015/2016).

### APPENDIX 3 - Current Property Investment Portfolio

On the 31 January 2017 Cabinet approved the 'Capital and Local Property Investment Fund Strategy 2017-2021'

#### Investments as at 31/3/2018

Property	Capital Expenditure to date	Return achieved
Burnham Market bungalow	£314,000	(TBC. when sold)

## APPENDIX 4: Prudential Indicators

PRUDENTIAL INDICATOR	2016/2017 Actual £000's	2017/2018 Actual £000's
<b>Capital Expenditure</b>	19,469	21,565
<b>Ratio of financing costs to net revenue stream</b>	1.94%	1.97%
<b>Net borrowing</b>		
brought forward 1 April	17,200	13,000
carried forward 31 March	13,000	13,800
Change in year - increase/(decrease)	(4,200)	800
<b>Net Investment</b>		
brought forward 1 April	(28,300)	(27,260)
carried forward 31 March	(27,260)	(15,250)
Change in year - increase/(decrease)	1,040	(12,010)

### Capital Financing Requirement

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2017/2018 unfinanced capital expenditure, and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources

CFR	31 March 2017 Actual £000's	31 March 2018 Actual £000's
Opening Balance	<b>17,988</b>	<b>27,531</b>
Add unfinanced capital expenditure	10,803	13,155
Less Minimum Revenue Provision (MRP)	(320)	(394)
Less voluntary/additional MRP	(925)	(946)
Less finance lease repayments (where the Council is the lessor)	(15)	(11)
<b>Closing CFR</b>	<b>27,531</b>	<b>39,335</b>



## Net borrowing and the CFR

In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2017/2018. This essentially means that the Council is not borrowing to support revenue expenditure. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

<b>CFR</b>	<b>31 March 2017 Actual £million</b>	<b>31 March 2018 Actual £million</b>
Borrowing	13.00	13.80
Investments	(27.26)	(15.25)
<b>Net Position</b>	<b>(14.26)</b>	<b>(1.45)</b>
<b>Closing CFR</b>	<b>27.53</b>	<b>39.34</b>

## Actual financing costs as a proportion of net revenue stream

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream (Council Tax and Government Grant).

	<b>2017/2018</b>
Authorised limit	£35m
Maximum gross borrowing position	£13.8m
Operational boundary	£50m
Average gross borrowing position	13.4%
Financing costs as a proportion of net revenue stream	1.97%

	2016/2017	2017/2018
TREASURY MANAGEMENT PRUDENTIAL INDICATORS	£000's	£000's
<b>Authorised limit for external debt -</b>		
Borrowing	35,000	52,000
<b>Operational boundary for external debt -</b>		
Borrowing	30,000	50,000
<b>Upper limit for fixed interest rate exposure</b>		
Net principal re fixed rate borrowing /investments	35,000	52,000
<b>Upper limit for variable rate exposure</b>		
Net principal re variable rate borrowing / investments	20,000	20,800

<b>Maturity structure of fixed rate borrowing during 2017/2018</b>			
	upper limit	lower limit	Actual
under 12 months	100%	0%	28%
12 months and within 24 months	100%	0%	0%
24 months and within 5 years	100%	0%	0%
5 years and within 10 years	100%	0%	0%
10 years and above	100%	0%	72%

## **APPENDIX 5: The Economy and Interest Rates (Provided by Link Asset Services)**

UK. The outcome of the EU referendum in June 2016 resulted in a gloomy outlook and economic forecasts from the Bank of England based around an expectation of a major slowdown in UK GDP growth, particularly during the second half of 2016, which was expected to push back the first increase in Bank Rate for at least three years. Consequently, the Bank responded in August 2016 by cutting Bank Rate by 0.25% to 0.25% and making available over £100bn of cheap financing to the banking sector up to February 2018. Both measures were intended to stimulate growth in the economy. This gloom was overdone as the UK economy turned in a G7 leading growth rate of 1.8% in 2016, (actually joint equal with Germany), and followed it up with another 1.8% in 2017, (although this was a comparatively weak result compared to the US and EZ).

During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year; quarter 1 came in at +0.3% (+1.7% y/y) and quarter 2 was +0.3% (+1.5% y/y), which meant that growth in the first half of 2017 was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up in quarter 3 to 0.5% before dipping slightly to 0.4% in quarter 4.

Consequently, market expectations during the autumn rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The MPC meeting of 14 September provided a shock to the markets with a sharp increase in tone in the minutes where the MPC considerably hardened their wording in terms of needing to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered on this warning by withdrawing the 0.25% emergency rate cut which had been implemented in August 2016. Market debate then moved on as to whether this would be a one and done move for maybe a year or more by the MPC, or the first of a series of increases in Bank Rate over the next 2-3 years. The MPC minutes from that meeting were viewed as being dovish, i.e. there was now little pressure to raise rates by much over that time period. In particular, the GDP growth forecasts were pessimistically weak while there was little evidence of building pressure on wage increases despite remarkably low unemployment. The MPC forecast that CPI would peak at about 3.1% and chose to look through that breaching of its 2% target as this was a one off result of the devaluation of sterling caused by the result of the EU referendum. The inflation forecast showed that the MPC expected inflation to come down to near the 2% target over the two to three year time horizon. So this all seemed to add up to cooling expectations of much further action to raise Bank Rate over the next two years.

However, GDP growth in the second half of 2017 came in stronger than expected, while in the new year there was evidence that wage increases had started to rise. The 8 February MPC meeting minutes therefore revealed another sharp hardening in MPC warnings focusing on a reduction in spare capacity in the economy, weak increases in productivity, higher GDP growth forecasts and a shift of their time horizon to focus on the 18 – 24 month period for seeing inflation come down to 2%. (CPI inflation ended the year at 2.7% but was forecast to still be just over 2% within two years.) This resulted in a marked increase in expectations that there would be another Bank Rate increase in May 2018 and a bringing forward of the timing of subsequent increases in Bank Rate. This shift in market expectations resulted in investment rates from 3 – 12 months increasing sharply during the spring quarter.

PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared to US treasuries. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

As for equity markets, the FTSE 100 hit a new peak near to 7,800 in early January before there was a sharp selloff in a number of stages during the spring, replicating similar developments in US equity markets.

The major UK landmark event of the year was the inconclusive result of the general election on 8 June. However, this had relatively little impact on financial markets. However, sterling did suffer a sharp devaluation against most other currencies, although it has recovered about half of that fall since then. Brexit negotiations have been a focus of much attention and concern during the year but so far, there has been little significant hold up to making progress.

The manufacturing sector has been the bright spot in the economy, seeing stronger growth, particularly as a result of increased demand for exports. It has helped that growth in the EU, our main trading partner, has improved significantly over the last year. However, the manufacturing sector only accounts for around 11% of GDP so expansion in this sector has a much more muted effect on the average total GDP growth figure for the UK economy as a whole.

EU. Economic growth in the EU, (the UK's biggest trading partner), was lack lustre for several years after the financial crisis despite the ECB eventually cutting its main rate to -0.4% and embarking on a massive programme of quantitative easing to stimulate growth. However, growth eventually picked up in 2016 and subsequently gathered further momentum to produce an overall GDP figure for 2017 of 2.3%. Nevertheless, despite providing this massive monetary stimulus, the ECB is still struggling to get inflation up to its 2% target and in March, inflation was still only 1.4%. It is, therefore, unlikely to start an upswing in rates until possibly towards the end of 2019.

USA. Growth in the American economy was volatile in 2015 and 2016. 2017 followed that path again with quarter 1 at 1.2%, quarter 2 3.1%, quarter 3 3.2% and quarter 4 2.9%. The annual rate of GDP growth for 2017 was 2.3%, up from 1.6% in 2016. Unemployment in the US also fell to the lowest level for 17 years, reaching 4.1% in October to February, while wage inflation pressures, and inflationary pressures in general, have been building. The Fed has been the first major western central bank to start on an upswing in rates with six increases since the first one in December 2015 to lift the central rate to 1.50 – 1.75% in March 2018. There could be a further two or three increases in 2018 as the Fed faces a challenging situation with GDP growth trending upwards at a time when the recent Trump fiscal stimulus is likely to increase growth further, consequently increasing inflationary pressures in an economy which is already operating at near full capacity. In October 2017, the Fed also became the first major western central bank to make a start on unwinding quantitative easing by phasing in a gradual reduction in reinvesting maturing debt.

Chinese economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus and medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems.

Japan. GDP growth has been improving to reach an annual figure of 2.1% in quarter 4 of 2017. However, it is still struggling to get inflation up to its target rate of 2% despite huge monetary and fiscal stimulus, although inflation has risen in 2018 to reach 1.5% in February. It is also making little progress on fundamental reform of the economy.

## AUDIT COMMITTEE WORK PROGRAMME 2018/2019

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
30 May 2018	Training/Briefing – Internal and External Audits		K Woodward	
30 May 2018	Certification of Claims and Annual Report 2016/17	Annual	D Cooke Ernst & Young	
30 May 2018	Risk Based Verification Policy Update	Update	J Stanton	
30 May 2018	Corporate Risk Register	Monitoring	G Greaves	To note the report which presents the changes to the Risk Register since the last report.
30 May 2018	Draft Annual Governance Statement covering the 2017/2018 year.	Monitoring	G Greaves	To receive and note the draft Annual Governance Statement for the 2017/2018 year
30 May 2018	Internal Audit Annual Report and Opinion 2017/2018	Annual	K Woodward	To receive the Audit Manager's Annual Report.
30 May 2018	Internal Audit Full Year Progress Report 2017/2018	Progress Report	K Woodward	To receive the Audit Manager's Annual report.
30 May 2018	Audit Committee Effectiveness Report	Cabinet	K Woodward	To review the work of the Audit Committee during 2017/2018 and consider if the Committee has effectively fulfilled its role.

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Agenda Item 11

<b>DATE OF MEETING</b>	<b>TITLE</b>	<b>TYPE OF REPORT</b>	<b>LEAD OFFICER</b>	<b>OBJECTIVES AND DESIRED OUTCOMES</b>
30 July 2018	Training/Briefing – Statement of Accounts		T Cowper	
30 July 2018	Statement of Accounts		L Gore/ T Cowper	
30 July 2018	External ISA 260 Report		L Gore/ T Cowper	
30 July 2018	Annual Governance Statement Covering the 2017/2018 year	Annual	G Greaves	To approve the Annual Governance Statement for the 2017/2018 year..
30 July 2018	Treasury Outturn Report 2017/2018		T Cowper	
17 September 2018	Training/Briefing – Tender/Procurement Process	Training	T Hague/ J Hawes	
17 September 2018	Latest Budget Monitoring Report	Each Meeting	L Gore	The Committee will receive the latest Monitoring Report and be invited to ask any questions.

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
12 November 2018	Training/Briefing - Review of Funding			
12 November 2018	Business Continuity Update	Annual Update	M Chisholm	
12 November 2018	Annual Audit Letter for year ending 31 March 2018	Annual Audit Letter		Ernst & Young will attend for this item
12 November 2018	Corporate Risk Register Monitoring Report	Monitoring	G Greaves	To note the report which presents the changes to the Risk Register since the last report.
12 November 2018	Internal Audit Half Year Progress Report	Monitoring	K Woodward	To receive the half year progress report.
12 November 2018	Mid-Year Treasury Report	Mid-Year	T Cowper	To receive the mid-year report.
12 November 2018	Latest Budget Monitoring Report	Each Meeting	L Gore	The Committee will receive the latest Monitoring Report and be invited to ask any questions.
28 January 2019	Training – Treasury Strategy			
28 January 2019	Strategic Internal Audit Plan		K Woodward	To provide the Committee with the opportunity to review the proposed Strategic Audit Plan 2017 – 2022.
28 January 2019	Update on progress with the Annual Governance Statement covering the 2018/2019 year	Update	G Greaves	To provide the Committee with an update on the progress with the Annual Governance Statement covering the 2018/2019 year.



<b>DATE OF MEETING</b>	<b>TITLE</b>	<b>TYPE OF REPORT</b>	<b>LEAD OFFICER</b>	<b>OBJECTIVES AND DESIRED OUTCOMES</b>
28 January 2019	Latest Budget Monitoring Report	Each Meeting	L Gore	The Committee will receive the latest Monitoring Report and be invited to ask any questions.
11 March 2019	Training/Briefing - Principles of Public Life Business Rates Retention			
11 March 2019	Latest Budget Monitoring Report	Each Meeting	L Gore	The Committee will receive the latest Monitoring Report and be invited to ask any questions.

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Future Training Sessions – Date(s) to be identified

Contracts (Nora, Major Housing, Revenues and Benefits software, Refuse and Recycling)