Audit & Governance Committee

Tuesday, 15th January, 2019
5.45 pm
Meeting Room A - Old Town Hall, Blackburn

AGENDA

6. **Audit & Assurance - Progress & Outcomes to November 2018**

The Head of Audit & Assurance will report on progress and outcomes achieved within Audit & Assurance.

AA Progress Report Nov 2018 **49 - 53**

7. **Annual Governance Statement - Progress on 2017/18 Actions and Plan for 2018/19**

The Head of Audit & Assurance will provide the Committee with a report on the progress and actions of the issues identified in the 2017/18 Annual Governance Statement and the process for producing the 2018/19 Statement.

Annual Governance Statement Progress and Plan **54 - 58**
Appendix 1 Six Month AGS Update - Progress re Annual Governance Statement Actions 2017.18

8. **Risk Management - 2018/19 Quarter 2 Review**

The Head of Audit & Assurance will provide the Committee with a report on Risk Management.

Risk Management 2018.19 Quarter 2 **59 - 62**
Copy of Agenda Item 8 Appendix 1 Corporate Risk Register Q2 2018.19 (PDF)

9. **Audit & Governance Committee - Effectiveness Assessment 2018/19**

The Head of Audit & Assurance will report upon the 2018/19 Audit & Governance Committee effectiveness assessment exercise.

Audit Governance Committee Effectiveness Self Assesment 2018.19 **63 - 76**
Agenda Item 9 (Appendix 1) CIPFA Practical Guidance on Audit Committees
Agenda Item 9 (Appendix 2) Audit Committee Effectiveness Assessment 2018.19
Agenda Item 9 (Appendix 3) Self assessment Summary Results 2018.19 Final

10. **Significant Partnerships Register 2018/19**

The Policy and Partnerships Manager will provide the Committee with a report on the Significant Partnerships Register for 2018/19.

Significant Partnerships Register Audit and Governance Committee report 15.1.19 v1 **77 - 80**
Appendix A - Significant Partnerships Register 2018-19 v1.2

11. PART 2: THE PRESS AND PUBLIC MAY BE EXCLUDED DURING CONSIDERATION OF THE FOLLOWING ITEMS:

None.

Date Published: Monday, 07 January 2019
Harry Catherall, Chief Executive

AUDIT & GOVERNANCE COMMITTEE
Tuesday, 16 October 2018

PRESENT – *Councillors, McGurk, Connor, Rigby and Whittle.*

EXECUTIVE MEMBER *– Councillor Andy Kay.*

OFFICERS – *Louise Mattinson, Simon Ross, Chris O'Halloran, Andrew Tordoff and Phil Llewellyn (BwDBC) John Farrar and Thilina De Zoysa (External Audit).*

RESOLUTIONS

15 Welcome and Apologies

The Vice Chair welcomed all present to the meeting. Apologies were received from Councillor Salim Sidat and Jim Casey.

16 Minutes of the Meeting held on 24th July 2018

The Minutes of the meeting held on 24th July 2018 were agreed as a correct record.

17 Declarations of Interest

No Declarations of Interest were received.

18 External Audit: Annual Audit Letter

The Council's External Auditors provided a summary to Members of the Committee of the Annual Audit Letter, which summarised the key findings arising from the work carried out at the Council for the year ended 31st March 2018.

An unqualified opinion had been given on the Council's financial statements on 31st July 2018. In terms of Value for Money, Grant Thornton were satisfied that the Council had proper arrangements in place to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31st March 2018.

RESOLVED – That the Annual Audit Letter for the year ended 31st March 2018 be noted.

19 External Audit: 2018/19 Audit Fee Letter

Members received a letter from the External Auditors, Grant Thornton which outlined the planned audit fee for 2018/19 and the scope of the overall work programme for the financial year.

RESOLVED – That the planned audit fee for 2018/19 be noted.

20 External Audit: Audit & Governance Committee Progress Report and Sector Update Year ended 31st March 2019

A report was submitted which provided the Committee with a report on progress in delivery of Grant Thornton's responsibilities as external auditors.

In terms of progress to 2nd October 2018, the 2017/18 audit had been completed and an opinion issued on 31st July 2018 along with a value for money conclusion. An unqualified opinion on the Council's financial statements and an unqualified value for money conclusion had been issued on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

Work on planning processes for the 2018/19 financial year audit had begun, with detailed work and audit visits beginning later in the year.

RESOLVED – That the report be noted.

21 Treasury Management Report - July to September 2018

The Committee received a report outlining Treasury Management activities for the first quarter of 2018/19. The report summarised the interest environment for the period and the borrowing and lending transactions undertaken, together with the Council's overall debt position, and the latest position against Treasury and Prudential Indicators established by the Council.

RESOLVED – That the Treasury Management position for the period, including the potential for the Council to take more longer term borrowing be noted.

22 Treasury Management Mid-Year Strategy Review 2018/19

Members received an update with regard to the Treasury Management position to date and proposed strategy for the remainder of 2018/19.

RESOLVED –

That Audit and Governance Committee

(a) notes the Treasury Management position for the year to date, and the proposed Strategy for the remainder of the year, and
(b) approves that there be no changes to the existing Treasury and Prudential Indicators for 2018/19, as set at Finance Council (26th February 2018).

23 Audit & Assurance - Progress & Outcomes to September 2018

A report was submitted which informed Members of the achievements and progress made by Audit & Assurance in the period from 1st July 2018 to 30th September 2018.

The report focussed on a number of key areas in the Audit & Assurance Plan, in particular Counter Fraud Activity and Internal Audit work and performance.

RESOLVED – That the Committee notes the outcomes achieved to 30th September 2018 against the Audit & Assurance Plan, which was approved by the Committee on 10th April 2018.

24 Risk Management - 2018/19 Quarter 1 Review

The Committee were provided with details of the risk management activity that had taken place in the period from 1st April 2018 to 30th June 2018.

RESOLVED – That the risk management activity that had occurred during the first quarter be noted and that a Corporate Risk be identified for review of its assessment, control and monitoring at the next meeting.

Signed: ………………………………………………….

Date: …………………………………………………….

Chair of the meeting
at which the minutes were confirmed

DECLARATIONS OF INTEREST IN

ITEMS ON THIS AGENDA

Members attending a Council, Committee, Board or other meeting with a personal interest in a matter on the Agenda must disclose the existence and nature of the interest and, if it is a Disclosable Pecuniary Interest or an Other Interest under paragraph 16.1 of the Code of Conduct, should leave the meeting during discussion and voting on the item.

Members declaring an interest(s) should complete this form and hand it to the Democratic Services Officer at the commencement of the meeting and declare such an interest at the appropriate point on the agenda.

MEETING: **AUDIT & GOVERNANCE COMMITTEE**

DATE: **15th January 2019**

AGENDA ITEM NO.**:**

DESCRIPTION (BRIEF):

NATURE OF INTEREST:

DISCLOSABLE PECUNIARY/OTHER (delete as appropriate)

SIGNED :

PRINT NAME:

(Paragraphs 8 to 17 of the Code of Conduct for Members of the Council refer)

Grant Thornton

Our ref: 001/B00100029/1718/CL

Louise Mattinson
Director of Finance and IT
Blackburn with Darwen Borough Council
Town Hall
Blackburn
Lancashire
BB1 7DY

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB

T +44 (0)161 953 6900

www.grantthornton.co.uk

7 January 2019

Dear Louise

Certification work for Blackburn with Darwen Borough Council for the year ended 31 March 2018

We are required to certify the Housing Benefit subsidy claim submitted by Blackburn with Darwen Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments Ltd (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of £50.7 million. We issued a qualification letter to the DWP dated 27 November 2018. Further details of the qualification letter are set out in Appendix A.

The indicative fee for 2017/18 for the Council was based on the actual 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £15,413 and the fee remains unchanged following completion of our work. This is set out in more detail in Appendix B.

Yours sincerely

Grant Thornton UK LLP

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2017/18

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£50,688,940	No	N/A	Yes	See below

Findings from certification of housing benefits subsidy claim

Rent Allowance – Overpaid Rent Allowances (Current Year) – Eligible Overpayments (Cell 114)

Our previous year's testing identified one error relating to an overpayment included in Cell 114. The error occurred because an overpayment had been created in advance of the point when benefit should have been terminated in accordance with the relevant regulation.

In accordance with HBCOUNT Module 1, we tested a random sample of 40 cases drawn from Cell 114 to confirm that overpayments had been raised covering the correct assessment period.

This testing did not identify any further errors in relation to the above CAKE issue.

However, the authority advised that in one case, the overpayment had been incorrectly calculated resulting in an underpayment of benefit, totalling £80.92. Cell 114 (eligible overpayments) was therefore overstated. There was a corresponding understatement of eligible expenditure in Cell 102, total expenditure related to cases not requiring referral to the rent officer.

The value of the error was £80.92 and the benefit period was 7 weeks.

Given the nature of the population and the variation in the errors found, it was unlikely that even significant additional work would have resulted in an amendment to this cell that would enable us to conclude that it was fairly stated.

This was the 2nd year that we have reported errors for this cell

Observations:

Rent rebates (Tenants of Non-HRA Properties) – Total Expenditure (Benefit granted), Cell 11

Based on errors identified in our previous qualification letter dated 17 November 2017, all cases in Cell 11 were reviewed as part of the work undertaken this year. Testing of an initial sample of 14 cases covered all attributes of the benefit award in line with the relevant guidance. The remaining cases in the cell were tested as part of the programme of additional work required by paragraph 18 of Module 1. This states that if the population of cases affected by an error identified by the auditor if less than 100, all cases should be tested.

The additional testing undertaken focused on confirming the Authority had used the correct eligible rent, and accurately assessed claimant income, as these were the findings reported to you in our previous qualification letter. This testing did not identify any errors.

Appendix B: Fees for 2017/18 certification work

Claim or return	2016/17 fee (£)	2017/18 indicative fee (£)	2017/18 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£14,910	£15,413	£15,413	£0	Nil – PSAA scale fee
Total	**£14,910**	**£15,413**	**£15,413**	**£0**	

Grant Thornton
An instinct for growth™

Audit Progress Report and Sector Update

Blackburn with Darwen Council

15 January 2019

Contents

Introduction

John Farrar

Engagement Lead

T (+44) 161 234 6384
M (+44) 7880 456 200
E john.farrr@uk.gt.com

Simon Hardman

Engagement Manager

T (+44) 161 234 6379
M (+44) 7880 456 202
E simon.hardman@uk.gt.com

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at 17 December 2018

Financial Statements Audit

We have started planning for the 2018/19 financial statements audit and are due to commence our interim audit in January 2019. Our interim fieldwork visit will include:

- updated review of the Council's control environment
- updated understanding of financial systems
- review of Internal Audit reports on core financial systems
- early work on emerging accounting issues
- early substantive testing.

We expect to finalise our Audit Plan, summarising our approach to the key risks on the audit, in January 2019. We will report any findings from the interim audit to you in one of our future Progress Reports.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that: 'the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

Audit guidance for value for money working in 2018/19 has now been issued and remains consistent with prior years. The guidance confirmed the overall criterion as: 'in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people'.

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We started our initial risk assessment to determine our approach in December 2018.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion the deadline of 31 July 2019.

Other areas

Certification of claims and returns

We certified the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions by the appropriate deadline.

The results of the certification work are reported to you in our certification letter.

Meetings

We met with your s151 Officer in December 2018 as part of our regular liaison meetings. We will continue discuss with emerging developments with the Council's finance team, and other officers as appropriate, and to ensure the audit process is smooth and effective.

Events

Representatives of the Council's finance team have accepted an invitation to our 2019 Chief Accountants' Workshop being held in Preston on 12 February.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We will issue a detailed accounts Audit Plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2018/19 financial statements.	January 2019	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit and Governance Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Page 16

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Audit and Governance Committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

A Caring Society – bringing together innovative thinking, people and practice

The Adult Social Care sector is at a crossroads. We have yet to find a sustainable system of care that is truly fit for purpose and for people. Our Caring Society programme takes a step back and creates a space to think, explore new ideas and draw on the most powerful and fresh influences we can find, as well as accelerate the innovative social care work already taking place.

We are bringing together a community of influencers, academics, investors, private care providers, charities and social housing providers and individuals who are committed to shaping the future of adult social care.

At the heart of the community are adult social care directors and this programme aims to provide them with space to think about, and design, a care system that meets the needs of the 21st Century, taking into account ethics, technology, governance and funding.

We are doing this by:

- hosting a 'scoping sprint' to determine the specific themes we should focus on
- running three sprints focused on the themes affecting the future of care provision
- publishing a series of articles drawing on opinion, innovative best practices and research to stimulate fresh thinking.

Our aim is to reach a consensus, that transcends party politics, about what future care should be for the good of society and for the individual. This will be presented to directors of adult social care in Spring 2019, to decide how to take forward the resulting recommendations and policy changes.

Scoping Sprint

This took place in October. Following opening remarks by Hilary Cottam (social entrepreneur and author of Radical Help) and Cllr Georgia Gould (Leader of Camden Council), the subsequent discussion brought many perspectives but there was a strong agreement about the need to do things differently that would create and support a caring society. Grant Thornton will now take forward further discussions around three particular themes:

1. Ethics and philosophy: What is meant by care? Should the state love?
2. Care in a place: Where should the power lie? How are local power relationships different in a local place?
3. Promoting and upscaling effective programmes and innovation

Sprint 1 – What do we really mean by 'care'?

During December 2018. Julia Unwin, Chair of the Civil Societies Futures Project, former CEO of the Joseph Rowntree Association and author on kindness provided insight to spark the debate on what we really mean by 'care'. We will update the Committee on the progress of the programme, including outcomes from the sprint exercises, in future sector updates.

Find out more and get involved

- To read the sprint write-ups and opinion pieces visit: grantthornton.co.uk/acaringsociety
- Join the conversation at #acaringsociety

Challenge question:

How is your authority engaging in the debate about the future of social care?

In good company: Latest trends in local authority trading companies

Our recent report looks at trends in LATC's (Local Government Authority Trading Companies).These deliver a wide range of services across the country and range from wholly owned companies to joint ventures, all within the public and private sector.

Outsourcing versus local authority trading companies

The rise of trading companies is, in part, due to the decline in popularity of outsourcing. The majority of outsourced contracts operate successfully, and continue to deliver significant savings. But recent high profile failures, problems with inflexible contracts and poor contract management mean that outsourcing has fallen out of favour. The days of large scale outsourcing of council services has gone.

Advantages of local authority trading companies

- Authorities can keep direct control over their providers
- Opportunities for any profits to be returned to the council
- Provides suitable opportunity to change the local authority terms and conditions, particularly with regard to pensions, can also bring significant reductions in the cost base of the service
- Having a separate company allows the authority to move away from the constraints of the councils decision making processes, becoming more agile and responsive to changes in demand or funding
- Wider powers to trade through the Localism act provide the company with the opportunity to win contracts elsewhere

Choosing the right company model

The most common company models adopted by councils are:

Wholly owned | **Joint Ventures** | **Social Enterprise**

Wholly owned companies are common because they allow local authorities to retain the risk and reward. And governance is less complicated. Direct labour organisations such as Cormac and Oxford Direct Services have both transferred out in this way.

JVs have become increasingly popular as a means of leveraging growth. Pioneered by Norse, Corserv and Vertas organisations are developing the model. Alternatively, if there is a social motive rather than a profit one, the social enterprise model is the best option, as it can enable access to grant funding to drive growth.

Getting it right through effective governance

While there are pitfalls in establishing these companies, those that have got it right are: seizing the advantages of a more commercial mind-set, generating revenue, driving efficiencies and improving the quality of services. By developing effective governance they can be more flexible and grow business without micromanagement from the council.

LATC's need to adapt for the future

- LATC's must adapt to developments in the external environment

  - These include possible changes to the public procurement rules after Brexit and new local authority structures. Also responding to an increasingly crowded and competitive market where there could me more mergers and insolvencies.

- Authorities need to be open to different ways of doing things, driving further developments of new trading companies. Relieving pressures on councils to find the most efficient ways of doing more with less in todays austere climate.

Overall, joint ventures can be a viable alternative delivery model for local authorities. Our research indicates that the numbers of joint ventures will continue to rise, and in particular we expect to see others follow examples of successful public-public partnerships.

[Download the report here]

Links

Grant Thornton website links

https://www.grantthornton.co.uk/

http://www.grantthornton.co.uk/industries/publicsector

https://www.grantthornton.co.uk/en/insights/a-caring-society/

https://www.grantthornton.co.uk/en/insights/care-homes-where-are-we-now/

https://www.grantthornton.co.uk/en/insights/the-rise-of-local-authority-trading-companies/

Grant Thornton

An instinct for growth™

grantthornton.co.uk

BRIEFING PAPER

REPORT to :	Audit and Governance Committee
LEAD OFFICER:	Director of Finance And Customer Services
DATE:	15th January 2019

WARD/S AFFECTED: All

TREASURY MANAGEMENT REPORT – 2018/19

Based on monitoring information for the period 1st October – 15th December 2018

1. PURPOSE

To allow scrutiny of the Treasury Management function.

2. RECOMMENDATIONS

It is recommended that Audit and Governance Committee notes the Treasury Management position for the period, and the draft Treasury Management Strategy for 2019/20, appended to this report.

3. BACKGROUND

3.1 The Council has previously adopted CIPFA's latest Code of Practice on Treasury Management in the Public Services and associated guidance notes. The Treasury Management Strategy for 2018/19, approved at Finance Council in February 2018, complied with both the CIPFA Code and with Ministry for Housing Communities and Local Government (MHCLG) Guidance on Investments.

The CIPFA Code, the Investment Guidance issued by MHCLG and the Internal Audit & Assurance reviews of Treasury Management activities all recommend a strong role for elected members in scrutinising the Treasury Management function of the Council.

3.2 This report summarises the interest rate environment for the period and the borrowing and lending transactions undertaken, together with the Council's overall debt position. It also reports on the position against Treasury and Prudential Indicators established by the Council.

3.3 A glossary of Treasury Management Terms is appended to this paper. .

4. KEY ISSUES

<u>4.1 Bank of England Bank Rate</u>

The Bank of England's Bank Rate held steady at 0.75%, having been increased in August.

4.2 Investments Made and Interest Earned

The graph in Appendix 1 shows the weekly movements in totals available for investment, both actuals to date and projections for the rest of the year (adjusted for anticipated borrowing). These increased significantly in December after £35M was borrowed from the Public Works Loans Board (PWLB) – see paragraph 4.5 below.

Investments made in the period were mainly in "liquid" (instant access) deposits, either bank "call accounts" or Money Market Funds (MMFs). Returns on such MMF holdings are slowly improving, now paying just under 0.70%. Bank account rates vary, paying from 0.05% to 0.65%.

For limited periods, funds were also placed with the Government's Debt Management Office (at 0.5%). The other fixed term investments made were:

Start Date	End Date	Counterparty	Amount	Rate %
16-Oct-18	16-Jan-19	Thurrock MBC	£2,000,000	0.81
26-Oct-18	31-Jan-19	Thurrock MBC	£3,000,000	0.80
31-Oct-18	25-Jan-19	Barking and Dagenham	£3,000,000	0.80
31-Oct-18	30-Nov-18	Gwynedd Council	£3,000,000	0.68
01-Nov-18	03-Dec-18	Cornwall Council	£3,000,000	0.50
15-Nov-18	31-Jan-19	Conwy Council	£2,000,000	0.80
29-Nov-18	31-Jan-19	Conwy Council	£2,000,000	0.80
03-Dec-18	25-Jan-19	Cornwall Council	£3,000,000	0.68
14-Dec-18	27-Feb-19	Harrow Council	£5,000,000	0.80
14-Dec-18	27-Feb-19	Eastleigh District Council	£5,000,000	0.80
14-Dec-18	27-Feb-19	Dumfries & Galloway	£5,000,000	0.75
14-Dec-18	22-Mar-19	National Counties Building Society	£1,000,000	0.83

At 15th December, the Council had approximately £65.5 M invested, compared to £24.6 M at the start of the period. Appendix 2 shows the breakdown of the closing investment balance

The Council's investment return over the period was approximately 0.70%.

For comparison, benchmark LIBID (London Interbank Bid) rates were
(a) 1 month lending - stable at around 0.6%
(b) 3 month lending - rising over the period, averaging 0.73% and closing at around 0.78%

4.3 Borrowing Rates

The cost of long term borrowing through the PWLB (Public Works Loan Board) is linked to central government's own borrowing costs.

General market uncertainty in early December prompted a significant fall in PWLB rates, as funds shifted out of stocks and shares and into government debt. The 8 year gilt yield graph below gives an indication of the general pattern of movement in rates, which was significant enough to prompt the Council, working in conjunction with our treasury advisers, Arlingclose, to take a significant amount of new PWLB borrowing, as part of a considered switch from solely taking short term loans to take on more longer term debt.

The cost of short term borrowing, based on loans from other councils, tended to move up across the period, with loans from 3 months out to a year being priced at from 0.80% to 1.10%

Though the broad trend in interest rates has been, and is expected to continue slowly upwards, it is unclear how rates will move in the run up to Brexit.

4.4 Short Term Borrowing in the 3 month period

The Council's CFR (Capital Financing Requirement) is the key measure of the Council's borrowing **need** in the long term. It is

(a) the accumulated need to borrow **to finance capital spend** (not funded from grants, etc.)
less
(b) the accumulated Minimum Revenue Provision (MRP) charges already made - councils must make a prudent MRP charge in their accounts each year, to finance their debt -
less
(c) any capital receipts applied to finance outstanding debt.

and therefore tends to increase if capital spend financed from borrowing exceeds MRP.

The Council's **actual** long term debt is significantly below the CFR – the gap has widened as long term debt has been repaid and no new long term borrowing has been taken for several years.
We have been using "internal borrowing" from available revenue cash balances to partly cover this gap. The remaining gap has been covered by taking enough short term borrowing to ensure that the Council has sufficient funds to pay its liabilities and commitments, and to anticipate future borrowing needs. This has resulted in net interest savings.

Up to the end of November, there was an increase in short term borrowing of £6M, as loans of £21M were repaid and £27M of new loans were taken (listed below).

New short term loans taken in the period

Start Date	End Date	Counterparty	Amount £	Rate
16/10/2018	18/03/2019	Harlow District Council	2,000,000	0.85%
18/10/2018	18/02/2019	Basildon District Council	3,000,000	0.85%
26/10/2018	27/03/2019	London Borough of Islington	5,000,000	0.90%
29/10/2018	29/01/2019	Preston City Council	3,000,000	0.77%
31/10/2018	25/03/2019	London Borough of Haringey	5,000,000	0.83%
01/11/2018	01/05/2019	Tendring District Council	2,000,000	0.85%
27/11/2018	26/11/2019	West Yorkshire Combined Authority	7,000,000	1.05%
			27,000,000	

4.5 New PWLB Loans taken -

With the wider interest rate market pointing towards future increases in rates, as noted at each Audit Committee meeting in this financial year, the Council has been considering the move towards taking more longer term borrowing rates, and the time to do so, working closely with the Council's treasury advisers, Arlingclose.

As a result of the significant fall in PWLB rates in early December, a series of new PWLB EIP (Equal Instalment of Principal) loans have therefore been taken :

loan start date	Value £	Maturity date	Duration (years)	Rate
07/12/18	10,000,000	30/09/28	10	1.74%
10/12/18	10,000,000	30/09/33	15	1.88%
12/12/18	5,000,000	30/09/30	12	1.73%
13/12/18	10,000,000	30/09/35	17	1.92%

The loans taken were structured to address anticipated future borrowing needs, which are highest over the next 10 to 20 years.

4.6 Current debt outstanding -

	30th Sept 2018		15th Dec 2018	
.	£000	£000	£000	£000
TEMPORARY DEBT				
Less than 3 months	0		3,000	
Greater than 3 months (full duration)	72,000		75,000	
		72,000		78,000
LONGER TERM DEBT				
Bonds	18,003		18,003	
Mortgages	17		17	
PWLB	103,783		138,002	
Stock & Annuities	258		258	
		122,061		156,280
Lancashire County Council transferred debt		15,045		15,045
Recognition of Debt re PFI Arrangements		65,990		65,703
TOTAL DEBT		**275,096**		**315,028**
Less: Temporary Lending - fixed term		(11,000)		(45,575)
- instant access		(13,623)		(19,950)
NET DEBT		**250,473**		**249,503**

The key elements of long term borrowing set out above are:

(a) £18M classed as bonds, borrowed from the money markets, largely in the form of "LOBO" (Lender Option, Borrower Option) debt. The individual loans remaining range from 4.35% to 4.75%, at an average of around 4.4%

(b) £138M borrowed from the PWLB at fixed rates, at an overall average rate of around 4%. Loans repayable on maturity range from 3.06% to 7.875%, and EIP (Equal Instalment of Principal) loans from 1.73% to 3.77%.

(c) Debt managed by Lancashire County Council after Local Government Reorganisation, which is repaid in quarterly instalments across the year, charged provisionally at 2%.

(d) Debt recognised on the balance sheet as a result of accounting adjustments in respect of bringing into use school buildings financed through Public Finance Initiative (PFI) arrangements. The Council's effective control over, and use of these assets is thereby shown "on balance sheet", with corresponding adjustments to the debt. This does not add to the costs faced by the Council Tax payer as these payments made to the PFI contractor are largely offset by PFI grant funding from the Government.

4.7 Treasury Management Strategy for 2019/20

Working under new guidance from MHCLG and CIPFA, the Council will increase the focus of its Capital Strategy and Investment Strategy (including Non-Treasury Investments) at full Council, and will take its Treasury Management Strategy to Executive Board. A draft of the Strategy for 2019/20 is included at Appendix 3.

4.8 Performance against Prudential and Treasury Indicators

Appendix 4 shows the current position against the Prudential and Treasury Indicators set by the Council for the previous and current year.

Movements in the key indicator – Overall Borrowing against Borrowing Limits – are shown as the first graph in Appendix 5. Our total borrowing at 15th December 2018 was, at £315M, which is above our Operational and below our Authorised Borrowing Limits for 2018/19 (£309.5M and £319.5M respectively). The Authorised Borrowing Limit is the key Prudential Indicator - loans from the PWLB cannot be taken if this Limit is (or would be caused to be) breached.

This total debt includes the impact on the balance sheet of the recognition of assets that have been financed through PFI. The accounting adjustments are designed to show our effective long term control over the assets concerned, and the "indebtedness" arising from financing the cost of them. They do not add to the "bottom line" cost met by the Council Tax payer.

The Council still holds a large part of its debt portfolio in loans of less than a year's duration - short term loans still represent a cheap way to funding marginal changes in its debt.

Interest Risk Exposures

Our **Variable Interest Rate Exposure** (see second graph at Appendix 5) ended the period at £25.5M, against the **limit** set for this year of £95M.

This indicator exists to ensure that the Council does not become over-exposed to changes in interest rates impacting adversely on its revenue budget. The limit is set to allow for short as well as long term borrowing, and takes:

(a) all variable elements of borrowing (including short term borrowing – up to 364 days – and any LOBO debt at risk of being called in the year), which is then offset by
(b) any lending (up to 364 days).

Our **Fixed Interest Rate Exposure** was around £143M, against the **limit** of £217.5M. This indicator effectively mirrors the previous indicator, tracking the Council's position in terms of how much of the debt will **not** vary as interest rates move. The historically low interest rates prevailing over recent decades led the Council to hold a large part of its debt in this way.

This limit was set to allow for the possibility of much higher levels of new long term, fixed rate borrowing. Though the £35M taken has moved this indicator upwards, there are still significant levels of short term debt.

5. POLICY IMPLICATIONS None

6. FINANCIAL IMPLICATIONS

The financial implications arising from Treasury Management activities are reflected in the Council's overall Budget Strategy, and in ongoing budget monitoring throughout the year.

7. LEGAL IMPLICATIONS

The report is in accordance with the CIPFA code and therefore is in accordance with the Financial Procedure Rules under the Council's Constitution.

8. RESOURCE IMPLICATIONS None

9. CONSULTATIONS None

10. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

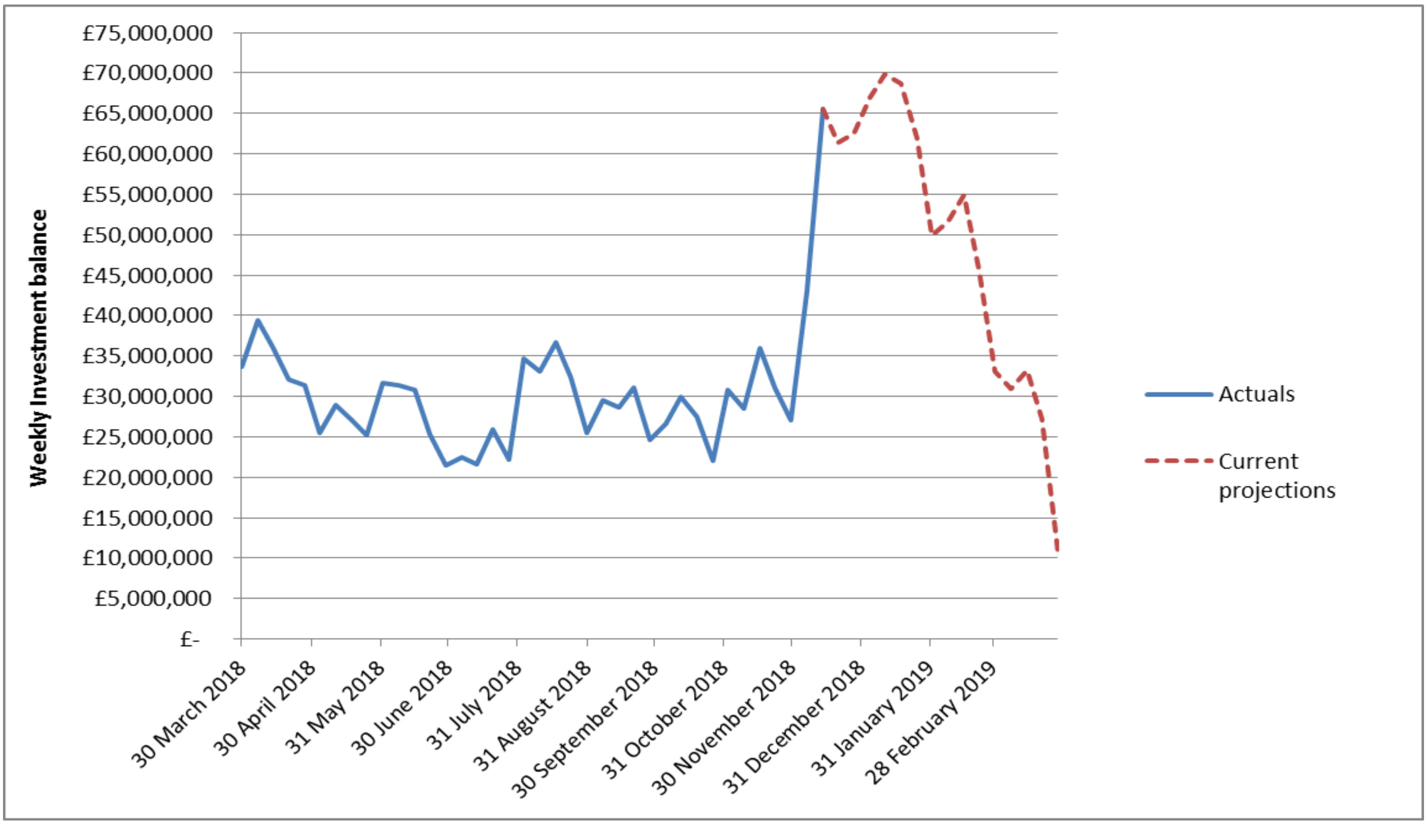
VERSION:	**0.02**

CONTACT OFFICER:	Ron Turvey- Deputy Finance Manager extn 5303 Louise Mattinson Director of Finance & Customer Services extn 5600
DATE:	21th December 2018
BACKGROUND PAPERS:	CIPFA Guidance - CLG Investment Guidance - Council Treasury Management Strategy approved Finance Council 26th February 2018

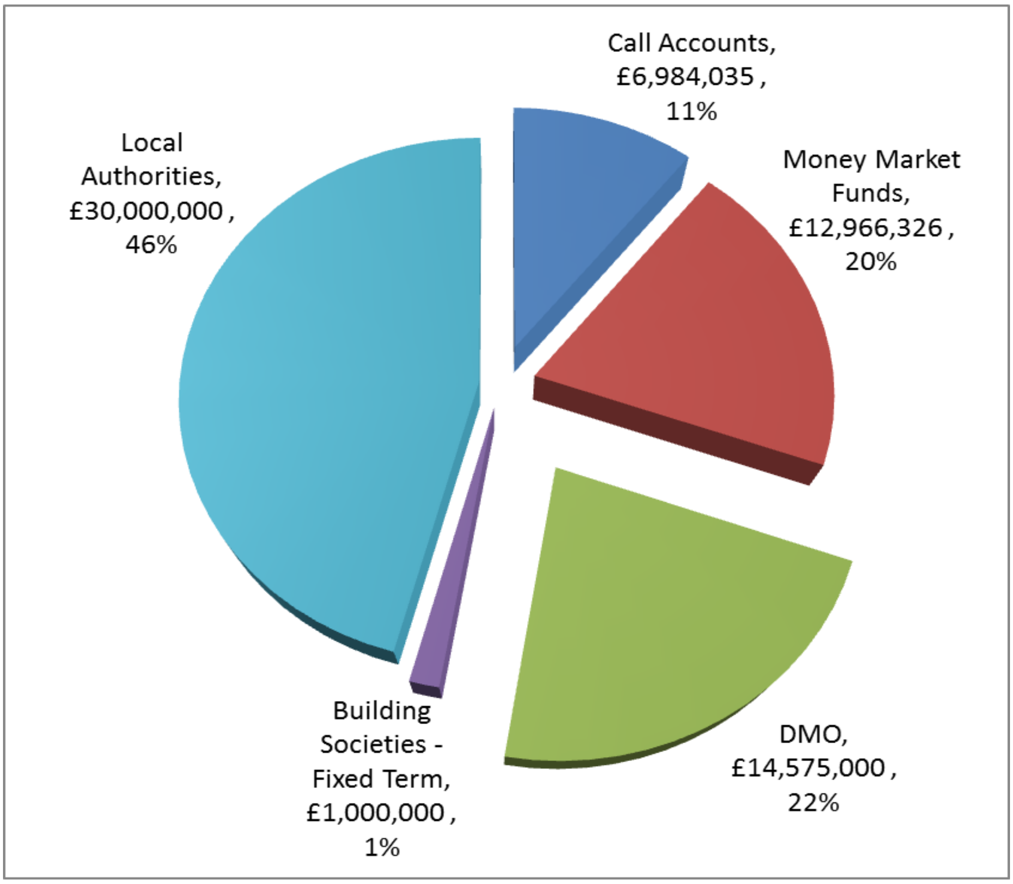
Appendix 1

Weekly Investment balances

Apr 18 to Mar 19



Investments at mid-December 2018 **Appendix 2**



Appendix 3

DRAFT TREASURY MANAGEMENT STRATEGY 2019/20

1 Introduction

1.1 The Authority both borrows and invests substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy.

1.2 Treasury risk management for local authorities is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires each authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.3 Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

1.4 In previous years, the Council's Prudential Indicators (to assess and measure the affordability, sustainability and prudence of its capital investment plans) and Minimum Revenue Provision (MRP) Policy were incorporated within the Treasury Management Strategy approved by Finance Council. These are now included with the Capital Strategy to be considered by Finance Council, and the Treasury Management Strategy (and mid-year review and outturn reporting) will now be considered by Executive Board.

1.5 Should the assumptions on which this report is based change significantly, it may be necessary to seek approval to a revised Treasury Management Strategy. Such circumstances could include, for example, a large unexpected change in interest rates, or in the Authority's capital programme or in the level of investments made or borrowing required.

2 Economic Context, Credit Outlook and Interest Rates

2.1 The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20. Transitional arrangements, if agreed, may prevent a cliff-edge, but may also extend the period of uncertainty for several years.

2.2 Inflation, as measured by the Consumer Price Inflation (CPI) Index, fell slightly in November, but remains in line with expectations. Unemployment rates remain low, and real wages have started to increase, but any economic slowdown could impact heavily on consumer spending.

2.3 At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the Bank of England, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

2.4 The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20. Transitional arrangements, if agreed, may prevent a cliff-edge, but may also extend the period of uncertainty for several years.

2.5 Inflation, as measured by the Consumer Price Inflation (CPI) Index, fell slightly in November, but remains in line with expectations. Unemployment rates remain low, and real wages have started to increase, but any economic slowdown could impact heavily on consumer spending.

2.6 At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the Bank of England, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

2.7 Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no change to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.

2.8 The US economy continued to grow, though at a slower rate by the end of 2018. The US Federal Reserve has continued to increase interest rates, but concerns over the sluggish growth, and storm clouds over potential world trade wars suggest that future increases in US interest rates will be slower than previously anticipated.

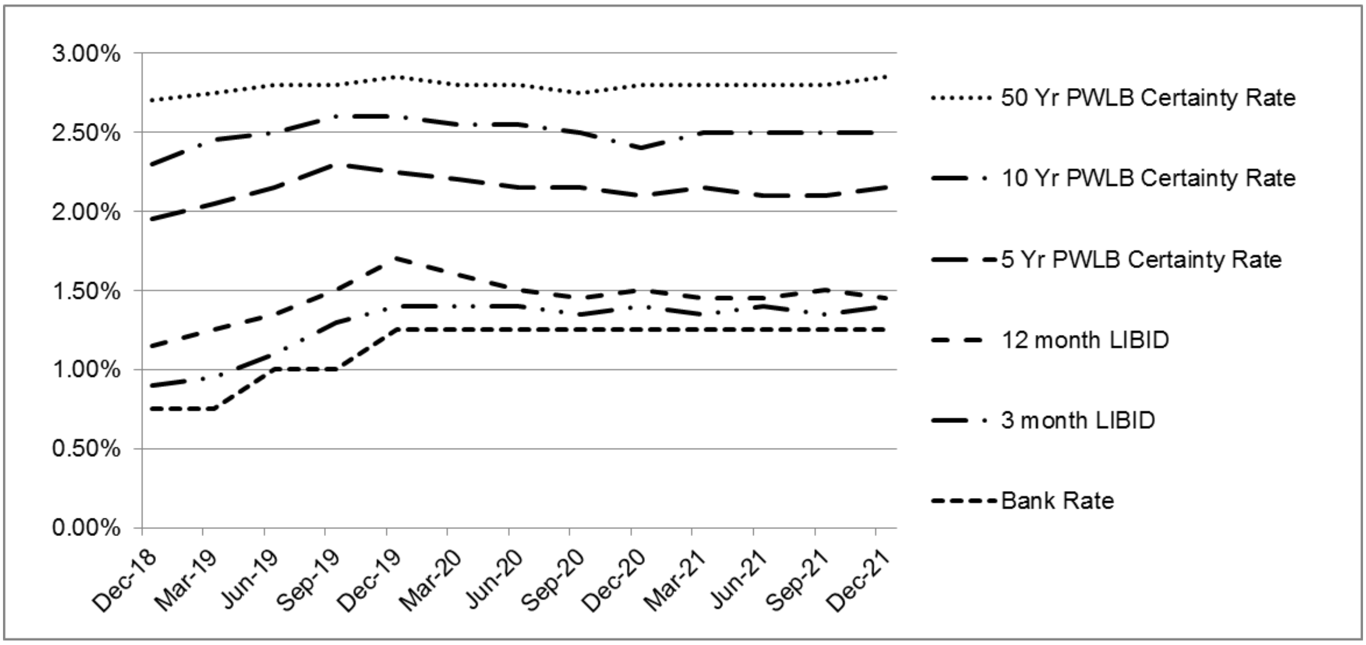
2.9 The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under "ringfencing legislation". Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

2.10 The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

2.11 European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

2.12 Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The Council's latest forecast of interest rates, reflecting advice from Arlingclose, is shown below.



The PWLB rates relate to potential long term borrowing, and the LIBID (London Interbank Bid Rate) to short term borrowing and investment.

This is a realistic view of potential rates, however it must be recognised that there is significant uncertainty and risks to both the upside and downside. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity As such, the risks to the interest rate forecast are considered firmly to the downside.

For the purpose of setting the budget for 2019/20, it was assumed that:

- any new investments would be at low rates, averaging around 0.6%,
- short-term borrowing would be available at an average of around 1.25% and
- new long-term loans would be available, if required, at rates below 2.0%.

3 Borrowing Strategy

3.1 At the middle of December 2018 the Council held around £315 M of borrowing:

Short Term Debt – maturing 18/19	£60 M
Short Term Debt – maturing 19/20	£18 M
Long Term Debt	£156 M
Lancashire County Council (LCC) Debt	£15 M
Debt re PFI arrangements	£66 M

This was offset by £65 M of investments

Net borrowing (gross borrowing less investment)	= £250 M
If LCC and PFI debt are excluded, net borrowing	= £169 M

The investment level was unusually high because the Council took advantage of low PWLB interest rates in early December to take £35 M of new long term debt, while already holding short term loans covering its liquidity needs. The level of investments will fall sharply in February and March as short term debt is repaid, before the end of the financial year.

3.2 The Council's CFR (Capital Financing Requirement) is the key measure of the Council's borrowing **need** in the long term. It is

the accumulated need to borrow **to finance capital spend** (not funded from grants, etc.)

LESS the accumulated Minimum Revenue Provision (MRP) charges already made - councils must make a prudent MRP charge in their accounts, to finance their debt –

LESS any capital receipts applied to finance outstanding debt.

The CFR tends to increase if capital spend financed from borrowing exceeds MRP.

3.3 Forecast changes in CFR and borrowing needs are shown in the table below

	31.3.18 Actual £m	31.3.19 Estimate £m	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m
General Fund CFR	299.8	306.2	319.0	313.5	307.3
Less: CFR re Other debt liabilities *	-85.8	-85.3	-84.8	-84.3	-83.8
Loans CFR	**214.0**	**220.9**	**234.2**	**229.2**	**223.5**
Less: External borrowing **	-125.3	-154.9	-150.4	-145.7	-141.3
Internal borrowing	**88.7**	**66.0**	**83.8**	**83.5**	**82.2**
Less: Usable reserves ***	-41.0	-33.0	-29.7	-27.7	-27.7
Plus/Minus: Working capital	3.6	-2.7	-9.0	-10.9	-12.8
Remaining Net borrowing NEED	**51.3**	**30.3**	**45.1**	**44.9**	**41.7**
Net borrowing NEED addressed by					
Short Term borrowing	**85.0**	**43.0**			
Treasury Investments	**-33.7**	**-12.7**			

*   CFR regarding PFI liabilities and transferred debt that form part of the Council's total debt
**   only loans to which the Council is committed over the longer term
***   includes schools balances and grants received in advance of need

The Council's usable reserves and working capital allow less borrowing to be taken than would otherwise be required. This is sometimes termed internal borrowing.

,
The Council's "Loans CFR" initially increases, due to the levels of prudential borrowing under its Capital Programme plans. Thereafter, unless the level of prudential borrowing is increased beyond current plans, it will start to fall in later years, as the level of MRP being made would then be larger than the increase in CFR resulting from additional spend financed from borrowing.

3.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that total debt should be lower than the highest forecast CFR over the next three years. The Council expects to comply with this recommendation during 2019/20.

3.5 The authority will continue to need to take borrowing in support of funding its capital programme. The chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.

3.6 Given the significant cuts to public expenditure and in particular to local government funding, the proposed borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Council can reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

3.7 The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

3.8 It had been the case that the Council had only taken short term borrowing for a number of years, with a view to minimising interest costs. It was always recognised, however, that it would be necessary to at some time to start to take some longer term borrowing, to address interest costs in the future, and to avoid becoming overly reliant on continuously rolling over short term debt. A significant tranche of long term borrowing was taken in December 2018, and the authority will continue to maintain a flexible approach to borrowing.

3.9 One alternative option is that the Council may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

3.10 In addition, the Council may take further short term loans to cover cash flow requirements.

3.11 The approved sources of long-term and short-term borrowing will be:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except the Lancashire County Council Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Authority has previously raised much of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.

3.12 Debt Rescheduling The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

3.13 The Council still has £13 M of LOBO (Lender’s Option Borrower’s Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. These options may be exercised during 2019/20, but while it is unlikely to the options will be exercised in the current low interest rate environment, there remains an element of refinancing risk. The Authority may take the option to repay LOBO loans at no cost if it has the opportunity to do so. It is not currently expected that the Council will take any further LOBO loans - however in order to allow for some flexibility, the Council will limit its total exposure to LOBO loans to £25 M.

3.14 The UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. Blackburn with Darwen BC was one of a number of local authorities investing in the Agency to help establish it. It plans to issue bonds on the capital markets and lend the proceeds to local authorities.

This would be a more complicated source of finance than the PWLB for two reasons:

(a) borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans and
(b) there will be a lead time of several months between committing to borrow and knowing the interest rate payable.

Any decision to borrow from the Municipal Bonds Agency will be subject to a separate report to Executive Board.

4 Investment Strategy

4.1 On a day to day basis the Council can hold significant surplus funds representing income received in advance of expenditure requirements, in addition to balances and reserves held. In the past 12 months, the Council's investment balance has ranged from £15 to £65 million, reflecting in particular the profiles of capital spending, grant funding, short term borrowing levels and long term debt repayments.

4.2 Both the CIPFA Code and the MHCLG Guidance require the Council to invest its funds prudently, and to have regard to the **security** and **liquidity** of its investments before seeking the highest rate of return, or **yield**. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving low investment income.

4.3 If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

4.4 The Council uses a cash flow model to determine the period for which funds may prudently be committed. The forecast is compiled on a prudent basis, to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Furthermore, a prudent level of funds is maintained in 'instant access' investments, to cover most likely eventualities. However to mitigate risk further, it is possible to borrow funds to cover short-term needs.

4.5 The Council's surplus cash is currently invested in short-term unsecured bank deposits, building society deposits and money market funds, along with fixed term deposits with other local authorities and the Debt Management Office (DMO). Given the increasing risk and continued low returns from short-term unsecured bank investments, the Council will consider the options to diversify into more secure and/or higher yielding asset classes during 2019/20, particularly if it finds itself with funds to invest for longer.

4.6 In order to prioritise the security of investments, the Council sets limits on the amounts placed with different institutions and as to the duration of the investment.

This is to maintain a diversified investment portfolio and to align amounts and durations of investments to the perceived risks associated with different counterparties.

4.7 When deteriorating financial market conditions give cause for concern, the Council will further restrict its investments to those institutions of higher credit worthiness and reduce the duration of its investments to seek to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government (via the DMO or invested in government treasury bills for example) or with other local authorities. This may reduce the level of investment income earned, but will protect the principal sum invested.

4.8 The Council uses credit ratings from all the three main rating agencies (Fitch Ratings Ltd, Moody's Investors Service Ltd and Standard & Poor's Financial Services LLC) to assess the risk of loss of investments. The lowest available credit rating will be used to determine credit quality. In order to make the limits straightforward to manage, limits are based on the Long-term ratings, as these ratings are those that address credit risk directly. Long-term ratings are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade.

The ratings are obtained and monitored by the Council's Treasury Advisers, Arlingclose, who will notify the Council of changes as they occur.

4.9 Credit ratings are a significant factor in assessing the creditworthiness of organisations however the Council understands that they are not perfect predictors of investment default. Full regard will be given to other available information on the credit quality of banks and building societies, including credit default swap prices, financial statements, information on potential government support and other market information. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the specified criteria.

4.10 Investment limits are applied at the point at which new investments are made. They are set at cautious levels, allowing for the fact that circumstances may change while investments run their course

It is proposed that if the investment criteria for a counterparty are no longer met, then:

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

4.11 Where a credit rating agency announces that it is actively reviewing an organisation's credit ratings with a view to downgrading, and as a result it is likely to fall below the specified minimum criteria, then no further investments other than into instant access accounts will be made until the outcome of the review is announced. This policy will not apply to negative outlooks which indicate a long-term direction of travel rather than an imminent change of rating.

Where a credit rating agency awards a different rating to a particular class of investment instrument as opposed to the credit rating of the counter-party as a whole, the Council will base its investment decisions on the instrument credit rating rather than the counterparty credit rating.

4.12 Investment Criteria for 2019/20

The proposed criteria are at essentially the same levels as were agreed for last year. The distinctions previously applied in MHCLG Investment Guidance between Specified and Non-Specified Investments have changed, so those categories are no longer reflected in the proposed limits. It is proposed that the Council may invest its surplus funds with any of the counterparty types in the table immediately below, subject to the cash and time limits shown AND to other limits also set out successively below.

Approved Investment Counterparties	Cash limit	Time limit
Banks and Building Societies – Secured		
long-term credit ratings no lower than AA (or equivalent)	£5M each	364 days
long-term credit ratings no lower than AA- (or equivalent)	£4M each	364 days
long-term credit ratings no lower than A- (or equivalent)	£3M each	364 days
Banks and Building Societies – Unsecured		
long-term credit ratings no lower than AA (or equivalent)	£5M each	9 months
long-term credit ratings no lower than AA- (or equivalent)	£4M each	6 months
long-term credit ratings no lower than A- (or equivalent)	£3M each	4 months
The Council's **current account banker** - provided long term credit rating no lower than BBB- (or equivalent)	£3M	next day
Corporates or **Registered Providers** with long-term credit ratings no lower than A- (or equivalent)	£3M each	4 months
Unrated institutions, such as some building societies	£1M each	4 months
Company Shares where no direct service benefit arising, for the prudent management of its financial affairs	£100,000	n/a
Pooled funds (incl. money market funds)		
long-term credit ratings no lower than A- (or equivalent)	£5M each	n/a
unrated or long-term credit ratings under A- (or equivalent)	£4M each	n/a
UK Government	no limit	364 days
Other Government with long-term-credit ratings no lower than A- (or equivalent)	£5M each	364 days
UK Local Authorities* (irrespective of credit rating)	£5M each	364 days
* as defined in the Local Government Act 2003		

Other Investment Limits	Cash limit
Any single organisation, except the UK Central Government	£5M each
UK Central Government	unlimited
Any group of organisations under the same ownership	**Group or overall limit** same as would be set for parent company
Foreign countries - limited to those with sovereign credit rating of AA + or better (from all agencies)	£5M each
UK investments will not be limited by the UK's sovereign credit rating	
Foreign investment limits will not apply to investment in pooled funds which may be domiciled overseas. Sovereign credit rating criteria and foreign country limits will also not apply to investments in multilateral development banks (e.g. the European Investment Bank and the World Bank).	
Registered providers and registered social landlords	£5M in total
Unsecured investments with building societies	£6M in total
Money market funds	£16M in total

4.13 <u>Secured and Unsecured Investments</u>

<u>Unsecured Investments</u> include accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Unsecured investments with banks rated below A- (but no lower than BBB-) will be restricted to overnight deposits with the Council’s Current Account bank, if applicable. A high level of monitoring of the credit-worthiness of the Current Account banker will be maintained if its ratings fall this low and this option will not be taken up if there are serious concerns.

In addition to investment balances, the Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be monitored and minimised, so far as practicable. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

<u>Secured Investments</u> include covered bonds and other collateralised arrangements with banks and building societies. Such investments are secured on the bank’s assets, which limits potential losses in the unlikely event of insolvency and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits.

4.14 Investment in Other Government, Corporate and Registered Providers

Other Government – this covers loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in and there is an insignificant risk of insolvency.

Corporates – this covers loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent.

Registered Providers – this covers loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the government and, as providers of public services, they retain a likelihood of receiving government support if needed.

4.15 Unrated Institutions

To allow the option to invest in the Municipal Bonds Agency, and to continue to retain the option to invest in other unrated counterparties, it is proposed to set the limits as set out in 4.12 above.

4.16 Pooled Funds (including Money Market Funds)

Pooled Fund investments are investments in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee.

The regulatory environment for pooled funds has changed how money market funds operate. The Council has had regular advice from its Treasury Adviser on the risk position for pooled funds, as the proposals have been enacted, and will continue to monitor the position for such funds.

Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts.

Pooled funds whose value changes with market prices, and/or have a notice period, will only be used for longer investment periods.

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

4.17 Strategy for 2019/20

Cash flow surpluses can be considered as falling into three categories -

(a) **Short-term funds** that are required to meet cash flows occurring in the next month or so, and for which the preservation of capital and liquidity is therefore of paramount importance. Generating investment returns is of limited concern here, although should not be ignored. Instant access AAA-rated money market funds and bank deposit accounts will be the main methods used to manage short-term cash.

(b) **Medium-term funds** that may be required in the next one to twelve months will be managed concentrating on security, with less importance attached to liquidity but a slightly higher emphasis on yield. The majority of investments in this period will be in the form of fixed term deposits with banks and building societies. A spread of counterparties and maturity dates will be maintained to maximise the diversification of credit and interest rate risks.

(c) **Long-term funds** that are not required to meet any liquidity need and can be invested with a greater emphasis on achieving higher returns. Security remains fundamental however, as any losses from defaults will impact on the total return. Liquidity is of lesser concern, although it should still be possible to sell investments with due notice if large cash commitments arise unexpectedly. This is where a wider range of instruments, including structured deposits, certificates of deposit, gilts and corporate bonds could be used to diversify the portfolio.

The overall Investment Strategy will be to prioritise security of funds and maintain a mix of short-term (largely instant access) and medium-term investments to generate investment income as market conditions permit. There are currently no long-term investments by the Council. If there are sufficient funds at a future date, the Council will consider its options for optimising returns and making more long-term investments.

With short-term interest rates still significantly lower than long-term rates, due consideration will also be given to continuing to use surplus funds to defer making long-term borrowing or even make early repayments of long-term borrowing. In addition to the savings on the interest rate differential, this strategy will also reduce the Council's exposure to credit risk and interest rate risk. In the context of the borrowing strategy, it is likely that most investments will continue to be in instant access and short term deposits, to manage the Council's liquidity.

The counterparty limits set out above, do allow for a wider range of investment opportunities to be taken up than have been used by the Council to date. Should the circumstances arise under which this would be appropriate, this would allow an increased diversification of the overall portfolio and in some instances, increase the security of investments made. The take up of any new investment opportunities will be closely managed by TMG, following advice given by the Council's Treasury Management Advisers.

5 Budget Implications

5.1 Excluding PFI costs (which are offset by Government grant funding), the budget for debt interest payable in 2019/20 is £6.8 million (including the interest element of payments to LCC for debt managed on our behalf), reflecting

(a) £6.3 million interest payable, at an average interest rate of around 3.8%, on the long-term debt portfolio (forecast to average £167 million over the year),

(b) up to £0.5 million for short-term borrowing, at interest rates averaging 1.25%.

Projected investment income in 2019/20 is around £100,000, based on an average investment portfolio of circa £16 million, and interest rates averaging 0.6%.

If actual levels of investments and borrowing and/or actual interest rates differ from those forecast, performance against budget will be correspondingly different.

6 Using Derivatives

6.1 A derivative is a financial instrument whose value is derived from changes in the value of an asset or an index. Local authorities (including this Council) have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. deals agreed for future dates) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans).

Section 1 of the Localism Act 2011 included a general power of competence that removes the uncertain legal position over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall Treasury Risk Management Strategy.

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

7 Treasury Management Indicators

The Council measures and manages its exposures to treasury management risks using the following indicators:

Refinancing Risk - Maturity Structure of Borrowing

This indicator is set to control the Council's exposure to refinancing risk - i.e. to prevent too much debt maturing at any one time, with a risk the Council will have to refinance at the rates then prevailing. The limits for up to 24 months continue to be relaxed to allow for a higher level of short term borrowing.

The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Upper	**Lower**
Under 12 months	50%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	30%	0%
10 years and above	95%	25%

This indicator applies to the financial years 2019/20, 2020/21, and 2021/22, from the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. Where there is a prospect that a LOBO may be called, this has been reflected in setting these limits.

Principal Sums Invested for Periods Longer than 364 Days

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

	2019/20 £M	**2020/21 £M**	**2021/22 £M**
Limit on principal invested beyond year end	7.0	5.0	3.0

The Indicators above are "standard" Treasury Management Indicators that are generally adopted by local authorities, in line with individual circumstances. These indicators have not directly addressed the key treasury priorities of Security and Liquidity, though these issues are already closely tracked throughout the year. However, working in conjunction with the Council's Treasury Advisers, options for the formal monitoring of performance in regard to these priorities remain under consideration.

8 Other Matters

8.1 Markets in Financial Instruments Directive (MiFID)

The Authority has opted up to professional client status with its providers of financial services, including advisers, brokers and some fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Director of Finance and Customer Services believes this to be the most appropriate status.

9 Other Options Considered

The MHCLG Investment Guidance and the CIPFA Code of Practice do not prescribe any particular treasury management strategy for local authorities to adopt.

Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Reduced risk of losses from credit related defaults
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs will be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long term costs will be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs will be less certain

The Director of Finance and Customer Services, having consulted with the Executive Member for Resources, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness.

Performance against Treasury & Prudential Indicators 2018-19 (approved by Council 26th Feb 2018) **Appendix 4**

		Indicator 2018/19	As approved Feb 18	Current Monitoring	Commentary
	1	Local Authority has adopted CIPFA Treasury Management Code of Practice	CIPFA TM Code of Practice adopted March 2012		
PRUDENTIAL INDICATORS	2	Estimated Capital Expenditure	£30.3 M	£37 M	
PRUDENTIAL INDICATORS	3	Estimated total Capital Financing Requirement at end of year	£303.8 Million (incl projections re LCC debt £15.6M and accumulated PFI / Lease debt £69.7M)	these indicators are set when the Capital Programme is approved, to inform the decision making around that process, and are not, as a matter of course, updated during the financial year	
PRUDENTIAL INDICATORS	4	Estimated incremental impact of capital investment decisions on Council Tax	£0 (Zero after revenue savings allowed for)		
PRUDENTIAL INDICATORS	5	Estimated ratio of financing costs to net revenue stream	13.93% (Main Programme Capital Spend)		
PRUDENTIAL INDICATORS	6	Outturn External Debt prudential Indicators	LCC Debt 15.6M PFI elements (no lease) 69.7M Remaining elements 224.20M **Operational Borrowing Limit 309.5M** **Authorised Borrowing Limit 319.5M**	**Borrowing to date £M** LCC Debt 15.0 PFI Elements 65.7 BwD 234.3 **Total 315.0**	LCC debt and BSF PFI debt witll both fall across the year, as debt payments are made
TREASURY	7	Variable Interest Rate Exposure	£95 Million	Exposure to date £25.5 M	Limit not breached during the year
TREASURY	8	Fixed Interest Rate Exposure	£217.5 Million	Exposure to date £143.3 M	Limit not breached during the year
TREASURY	9	Prudential limits for maturity structure of borrowing	see table below	see table below	

Item 9 – Prudential limits for maturity structure of borrowing (as approved Feb 18):

Lower Limit	Upper Limit	Period (Years)
0	50%	<1
0	20%	1-2
0	30%	2-5
0	30%	5-10
25%	95%	>10

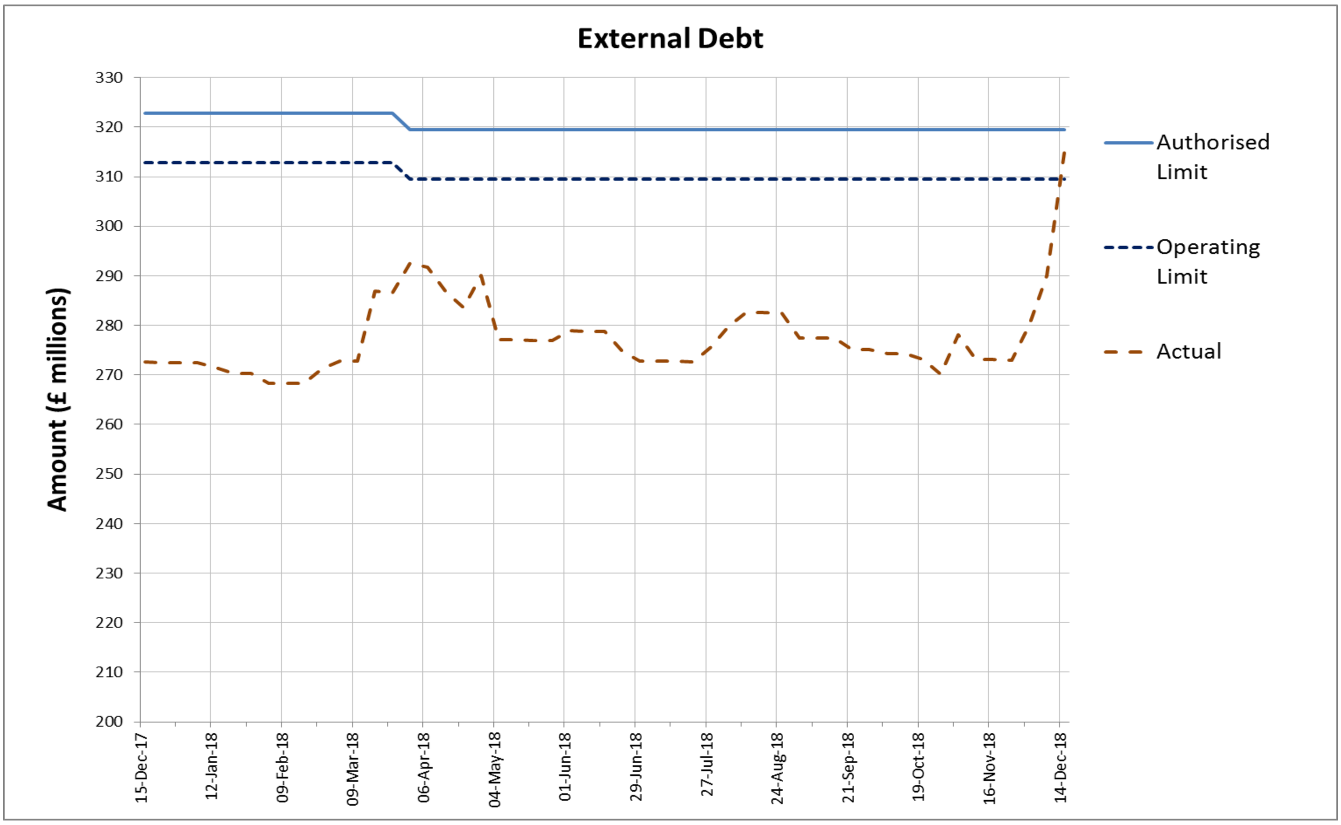
Actual maturity structure to date

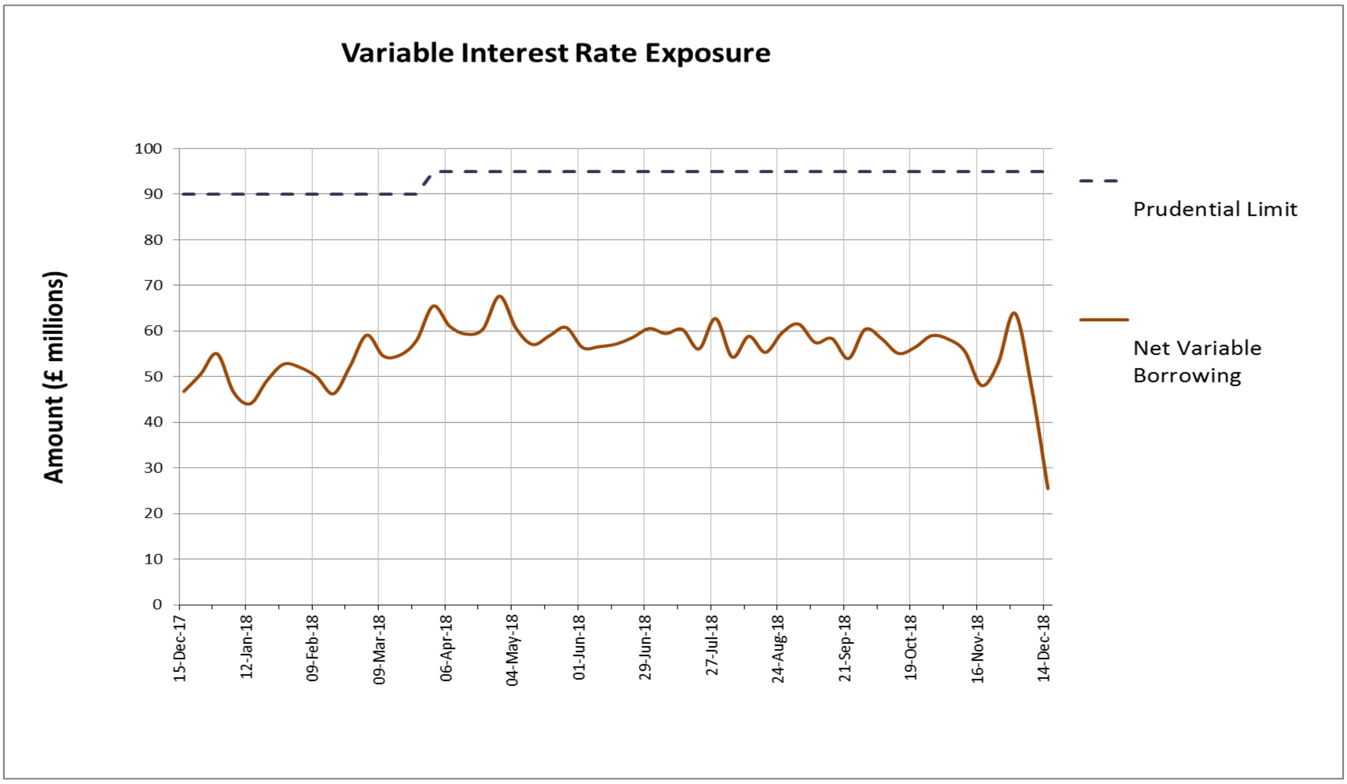
Period (Years)	£M	%
<1	78.1	33.3%
1-2	2.3	1.0%
2-5	3.7	1.6%
5-10	20.2	8.6%
>10	130.0	55.5%
Total	**234.3**	**100%**

10	Total investments for longer than 364 days	£7 Million	**NO LONG TERM INVESTMENTS MADE**

Movements in Prudential Indicators - Total Debt and Variable Interest Exposure

Appendix 5





GLOSSARY OF TERMS

Investment Rates

The interest rates for durations of less than a year are represented by LIBID (London Interbank Bid Rate), a reference rate measuring levels at which major banks are prepared to borrow from one another. This is a potential benchmark for the return on the Council's investments, though the rates actually available are constrained by the Council's investment criteria and largely short term investment horizon, designed to ensure cash is available when required.

Borrowing Rates

To indicate the potential costs of borrowing to fund the Council's capital programme, the reference point is Public Works Loans Board (PWLB) borrowing rates. The benchmark used is for "Certainty Rate" borrowing of "Maturity" Loans (loans of fixed lump sums, at fixed rates, over periods from 1 to 50 years).

The PWLB is the statutory body which lends to public bodies from Government resources – the Government has declared that it will be abolished at some point in the future, but that the facility for lending at good value will be continued - no date has been proposed for the change.

PWLB Loans - Fixed rate loans are repayable by one of three methods:

(a) **Maturity**: half-yearly payments of interest only, with a single repayment of principal at the end of the term.

(b) **Annuity**: fixed half-yearly payments to include principal and interest or

(c) **EIP (Equal Instalments of Principal)**: equal half-yearly instalments of principal together with interest on the balance outstanding at the time.

Certainty Rates - a discount - currently 0.20% - is available on new PWLB borrowing to local authorities completing an information request on borrowing intentions to Central Government

Current PWLB rates have no impact so long as no new longer term borrowing is taken, as all the Council's existing long term debt is at fixed rates.

LOBO - LOBO stands for Lender Option, Borrower Option. It means that the lender can increase the interest rate, which gives the borrower the option to repay the loan in full without penalty fees. Public bodies used to be only able to borrow money through government Public Works Loan Board (PWLB) loans, however borrowing from banks in the form of LOBOs was permitted from the early 2000s. LOBOs were made available with low rates (cheaper than then available PWLB rates) so they appeared to be an attractive alternative.

LOBOs have provoked criticism because of high initial profits to the lender from day one, and high subsequent interest rates. It is difficult to exit LOBO loans early unless the lender is in agreement, so they are less flexible, and there is a risk that if/when they are "called", the borrower may find itself having to refinance debt at high rates.

This Council always limited the scale of LOBO borrowing taken, so that it formed part of an overall balanced debt portfolio, while bringing the advantage of initial lower rates.

PFI - The private finance initiative is a way of creating "public–private partnerships" (PPPs) by funding public infrastructure projects with private capital.

BSF - Building Schools for the Future (BSF) was the name given to Central Government's investment programme in secondary school buildings in England in the 2000s. In Blackburn with Darwen, the schools funded through this scheme are Witton Park High School, Blackburn Central High School and Pleckgate High School.

Prudential Indicators

Prudential Indicators are established mainly to allow members to be informed of the impact of capital investment decisions and to establish that the proposals are affordable, prudent and sustainable. In addressing the debt taken on by the Council, the indicators also deal with treasury issues, in particular the absolute level of debt being taken on (through the Authorised and Operational Borrowing Limits).

It should be noted that a "breach" of a prudential indicator is not necessarily a problem for the Council. Some indicators are more crucial that others, particularly in terms of their impact. If we spend more on the capital programme in total, that is not necessarily a problem if it has no adverse revenue consequences, for instance. Similarly, if we breach the indicator relating to variable interest rate exposure, this can just point to the balance of different types of debt taken up (between at fixed or variable interest rates) being significantly different from that anticipated when the indictor was set.

On the other hand, the Council's ability to borrow from the PWLB is constrained by needing to remain within the Authorised Borrowing Limit the Council has set for itself. If it became necessary to re-shape the Council's overall capital spending and borrowing strategy to the extent that the original Authorised Borrowing Limits were at risk of being breached, it would be necessary to obtain authority from full Council to change the borrowing limits.

Money market fund – type of fund investing in a diversified portfolio of short term, high quality debt instruments - provides benefit of pooled investment - assets are actively managed with very specific guidelines to offer safety of principal, liquidity and competitive returns - such funds “ring-fenced”, kept fully separate from the remainder of funds managed by the investment house running the fund.

Council only uses highly rated funds - **policy** is to limit to those with long-term credit ratings no lower than A-, but current **practice** is to only use AAA rated with daily access (like instant access bank accounts)

TO:	Audit & Governance Committee
FROM:	Head of Audit & Assurance
DATE:	15 January 2019

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: **Audit & Assurance - Progress and Outcomes to 30 November 2018**

1. PURPOSE

To inform Members of the achievements and progress made by Audit & Assurance in the period from 1 October 2018 to 30 November 2018.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 30 November 2018 against the annual Audit & Assurance Plan, which was approved by Committee on 10 April 2018.

3. BACKGROUND

The internal audit function is required to comply with the Public Sector Internal Audit Standards (PSIAS).

The PSIAS require the Head of Internal Audit to communicate any significant governance, risk management and control issues identified to the Audit Committee during the year. This Progress and Outcomes report complies with the requirements of the PSIAS by communicating any significant issues that have been identified during the year.

4. RATIONALE

The Council is required under the Accounts and Audit (England) Regulations 2015 to undertake an effective internal audit to evaluate the effectiveness of risk management, control and governance processes, taking into account public sector internal audit standards (PSIASs).

The work undertaken throughout the year is intended to ensure that:

- at the year end, an objective and independent opinion can be provided that meets the PSIAS and statutory governance requirements;
- it demonstrates the effectiveness of the internal audit function; and
- throughout the year, support is provided to Members, Directors and managers in their particular areas of responsibility.

5. KEY ISSUES

Outcomes achieved in the year to 30 November 2018:

Corporate Governance and Risk

Director Exception/Dashboard Report and Assurance Statement Half-Year Update

The table below summarises the ten "red" priority areas of concern across the departments, by key themes, which were identified in the summary Director Exception/Dashboard Report and Assurance Statements for the first half of the year, as at 30 September 2018.

This includes five "red" priorities that have remained as areas of concern from 31st March 2018, three "red" areas that have been upgraded (U below) and two new "red" areas (N below) which have been identified and appears as red for the first time. There are also two areas of concern previously identified as "red" that have been downgraded (D below) to "amber" in the period.

			2018/19	2017/18
Themes	**No**	Description	**30th Sept Half Year**	**31st March Year End**
Demand Management	1	Reducing fly tipping, landfill waste and maximising recycling in order to reduce the amount waste going to landfill. (Environment)	**Red**	Red
	2	Inspections (Children's)	**Red(U)**	Amber
	3	Child Exploitation (Children's)	**Red(U)**	Amber
	4	Placement Sufficiency - Foster & Adoption Placement Issues combined from previous MAF. (Children's)	**Red**	Red
	5	Social Worker Workloads (Children's)	**Red**	Red
	6	Crime Figures (Localities & Prevention)	**Red(N)**	n/a
Budgets & Finance	7	Budget Pressures - Adult Social Care Commissioning (Adults)	**Red(U)**	Amber
	8	Budget Pressures - Social Work Demand Costs and Out of Borough Placements (Children's)	**Red(N)**	n/a
	9	Budget Pressures - Increased Waste Costs and Parking Income (Environment)	**Red**	Red
		Budget Pressures (Leisure)	**Amber(D)**	Red
		Family Court Decisions Placing Increased Financial Burden On Permanence Planning (Children's)	**Amber(D)**	Red
Staffing/ HR	10	Sickness Absence (Adults)	**Red**	Red

Counter Fraud Activity

National Fraud Initiative

The next National Fraud Initiative exercise (NFI 2018/19) will result in data matches being issued to the Council for further review and follow up from 31 January 2019. Audit and Assurance staff have co-ordinated the provision of various data sets to the Cabinet Office for this exercise.

Other investigations

During the period Audit & Assurance staff also carried out two investigations following complaints made by members of public. The first investigation involved an allegation of theft and resale of Council assets. We found no evidence of fraud or theft by Council staff. The second investigation concerned an allegation of fraud and the falsification of documents. We found no evidence to substantiate the allegations made.

Audit & Assurance is currently liaising with the Police regarding two separate cases of suspected overpayments in respect of social care clients who are in receipt of Direct Payments for their care provision. The most recent case involves the identification of a £20,000 overpayment after it was established that the client's circumstances had changed and Direct Payments had been falsely claimed for over a year. Payments have been suspended and recovery will be sought from the client.

Internal Audit

A summary of the three audits completed and finalised since the last report to Committee are detailed below:

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Adults Off System Commissioning Arrangements	Adequate	Adequate	7
Blackburn Central High School	Adequate	Adequate	16
Partnership Arrangements	Substantial	Adequate	7

During the period Audit & Assurance staff also co-ordinated the half year MAF reporting process. This included the review and challenge of the Director Exception/Dashboard Report and Assurance Statements and providing support to the Corporate Plan Performance Challenge meetings.

Current internal audit reviews

In addition to the above completed audits, the following reviews are ongoing:

- Ashworth Nursery;
- Longshaw Juniors Primary School;
- Business Rates;
- Mileages Payments;
- Overtime/Additional Hours;

- Police & Crime Commissioner Grant
- Equality Act Reporting;
- Social Determinants of Health/Public Health Internal Spend
- VAT Management;
- Council tax; and
- Highways.

Internal Audit Performance

The Departmental Business Plan includes seven targets to achieve our strategic aims. The defined targets and actual performance for the latest period and the previous period are as follows:

Performance Measure	Target	Q3 2018/19	Q2 2018/19
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A
2. Planned Audits Completed Within Budget	90%	**66%**	63%
3. Final Reports Issued Within Deadline	90%	100%	88%
4. Follow Ups Undertaken Within Deadline	90%	100%	100%
5. Recommendations Implemented	90%	93%	100%
6. Client Satisfaction	75%	100%	100%
7. Compliance with PSIAS (Annual)	95%	N/A	N/A

We have provided a brief commentary on the measure where performance (Q3, 2018/19) has fallen below the agreed target:

2. Planned Assignments Completed Within Budget

One of the three audits (33%), completed in the period was over budget. The Adults Off System Commissioning Arrangements review required additional time to complete due to nature of the work involved. This included working with a business analyst to process map the various systems and processes in place, liaising with a range of colleagues across Adults and Finance and additional time involved in testing the system in operation.

Audit & Assurance Plan 2018/19 – In Year Review

As previously reported to this Committee, changes to the Audit & Assurance Plan will be submitted to Members for consideration when they become necessary. Changes to the Plan are now required because of the following emerging issues:

Resources – it was anticipated that Audit & Assurance would have staff resources amounting to 818 days for the delivery of the Audit & Assurance Plan, as reported approved by the Committee on 10 April 2018. This comprised of 699 days for internal audit, 54 days for risk/governance and 65 days for fraud. However, it is now anticipated that Audit & Assurance will now only be able to deliver 652 days (535 days for internal audit, 43 days for risk/governance and 74 days for fraud). The short fall in days has arisen due to delays in recruiting to one of the Internal Auditor posts, which became vacant on 19 August, an unplanned extension to the time that Audit staff resources were required to provide cover and support to the Insurance team in order to ensure that insurance claims and associated processes were managed effectively and extra time dealing with staffing and recruitment matters within the team. The estimated final plan will be slightly less than the 560 days achieved in delivering the internal audit work as reported in the 2017/18 Annual Internal Audit Opinion Report.

Audit & Assurance has proposed revisions to the Audit & Assurance Plan, which will allow it to provide an opinion on the Council's framework of governance, risk management and internal control. This revision will ensure that the highest priority (priority 1) audits will be completed in 2018/19. The lower priority audits will be delayed to start at the end of the current financial year or deferred and considered for inclusion in the Audit & Assurance Plan 2019/20 and will cover all departments/areas of the Council.

6. POLICY IMPLICATIONS

This delivery of the Plan leads to the Annual Internal Audit Opinion Report and this, in turn, contributes directly to the Annual Governance Statement.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising as a result of this report.

8. LEGAL IMPLICATIONS

There are no legal implications arising as a result of this report.

9. RESOURCE IMPLICATIONS

There are no resource implications arising as a result of this report.

10. EQUALITY & HEALTH IMPLICATIONS

There are no equality or health implications arising as a result of this report.

11. CONSULTATIONS

Directors

Contact Officer:	Colin Ferguson, Head of Audit & Assurance– Ext: 5326
Date:	24 December 2018
Background Papers:	Audit & Assurance Plan 2018/19, approved by the Audit & Governance Committee on 10 April 2018.

TO:	**Audit & Governance Committee**
FROM:	**Head of Audit & Assurance**
DATE:	**15 January 2019**

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Annual Governance Statement (AGS) – Progress of 2017/18 Actions and 2018/19 Approach/Timetable

1. PURPOSE

To inform Members on the progress of the actions taken to address the significant governance issues identified in the 2017/18 AGS and the planned approach and timetable for producing the 2018/19 Statement.

2. RECOMMENDATIONS

The Committee is asked to:

- review the progress made to address the significant actions identified in the 2017/18 AGS; and
- note the approach/timetable for producing the 2018/19 AGS.

3. BACKGROUND

The Accounts & Audit Regulations require that the Council must publish an AGS on an annual basis in accordance with proper practice. The Audit & Governance Committee is also required to review and provide independent assurance on the Council's governance framework.

4. RATIONALE

The AGS is a product of the Council's own review of its framework of governance. This framework comprises the policies, systems and processes, the culture and values, by which the organisation is directed and controlled, and its activities through which it accounts to, engages with and leads the community. The framework itself is based on guidance issued by CIPFA/SOLACE. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

5. KEY ISSUES

The AGS is a statutory document, which is published each year to accompany the Council's annual Statement of Accounts. It outlines the arrangements that are in place to direct and control the Council's activities (the governance framework). It also includes an annual assessment of the effectiveness of the governance framework. Any significant governance issues identified must be reported.

Actions from 2017/18 AGS

The following significant issues were noted in the 2017/18 AGS:

- Children's Services Financial Position (action brought forward from 2016/17); and
- Highways Inspection Arrangements (2017/18 action).

The details of progress made to 30 November for each of these areas is shown in Appendix 1. These show that appropriate steps have been taken by managers and senior officers in respect of the issues identified. However ongoing children's' social care pressures are noted. The actions taken and progress made is largely in accordance with expected targets.

Approach for 2018/19

The Management Accountabilities Framework (MAF) provides ongoing assurance on the effectiveness of the Council's governance framework. Through their completion of the half-yearly "Directors Exception/Dashboard Report and Assurance Statement" each director provides an update with regard to their departmental/operational plan priorities and confirms the effective operation of sound systems of internal controls, risk management and governance within their department, highlighting and exceptions and actions. These reports, combined with the Deputy Chief Executive's Programme Area Meetings (PAM), provide appropriate challenge to the process, with significant "red" issues identified being reported to the Management Board and Audit & Governance Committee for consideration.

There is a year-end process (led by Audit & Assurance), which provides further assurance on the Council's governance framework. This includes the receipt of signed statements of assurance from each Director and the Deputy Chief Executive for their areas of responsibility. This statement requires each Director to provide an assessment of their Departmental governance arrangements and systems of internal control, with an action plan for any areas of weakness identified. The year-end process also involves the collection and assessment of evidence to determine the Council's compliance with the core principles of good governance. This evidence includes examples of systems, processes, documentation and other evidence (including self-assessment tools and sources of further guidance) as recommended in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government: Guidance Note for English Authorities 2016 edition".

Proposed Timetable for 2018/19 AGS Completion and Related Processes

Deadline	**Action**
11/3/19	Circulation of director statement of assurance templates.
29/3/19	Completion of Second Half-Year MAF Directors reports.
29/4/19	Receipt of signed director statements of assurance. Receipt and collation of annual governance core principle evidence.
03/5/19	Year-end MAF PAM challenges.
15/5/19	Second Half-Year MAF significant "red" issues reported to Management Board.
31/5/19	AGS evidence and statements considered by Primary Assurance Group (PAG).

12/6/19	Production of draft AGS by PAG for consideration by Management Board.
26/7/19	Year-end MAF significant “red” issues reported to Audit & Governance Committee. Approval of AGS by Audit & Governance Committee.
29/7/19	AGS signed by Chief Executive and Leader of the Council.
31/7/19	AGS published.

6. POLICY IMPLICATIONS

The Code of Corporate Governance sets out the core principles for good governance. These guide the Council’s policy making.

7. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from the AGS process.

8. LEGAL IMPLICATIONS

The Council’s preparation and publication of an annual AGS, that accords with the CIPFA/SOLACE Framework, is necessary to meet the statutory responsibility (set out in Regulation 6 (2) of the Accounts & Audit Regulations 2015) This responsibility requires that an AGS is prepared in accordance with proper practices and accompanies the statement of accounts.

9. RESOURCE IMPLICATIONS

There are no direct resource implications arising from this AGS process.

10. EQUALITY AND HEALTH IMPLICATION

There are no equality or heath implications arising from this AGS process.

11. CONSULTATIONS

Deputy Chief Executive (as Chair of the Primary Assurance Group), Director of Finance & Customer Services and Director of HR, Legal & Governance.

Contact Officer: Colin Ferguson, Head of Audit & Assurance – Ext: 5326
Date: 24 December 2018
Background Papers: 2017/18 AGS approved by Audit & Governance Committee on 24 July 2018

APPENDIX 1

Annual Governance Statement: Progress on 2017/18 Actions

Issue	2017/18 Issue/Actions to be taken	Responsible officer(s)	Half Year Update – November 2018
1. *Children's Services Financial Position* *(Brought forward from 2016/17)*	The Children's Services budget position continues to face demand pressures in 2018/19 due to the volumes of social work being managed, the nature of cases being received (including higher dependency needs) and increasing costs of placements associated with these. This has led to a need for an increase in social workers to manage demand. Arrangements will continue to maintain awareness and ensure effective budget and case management continues at all levels within the service to monitor and manage demand and budget pressures relating to intervention, prevention and permanence planning to ensure that services and resources are not diverted from elsewhere within the Council. **Half year Issue Update:** The Children's Services budget position continues to face demand pressures in 2018/19. There are 2 main reasons for this an increase in the volume of work being referred into the Social Work Service and secondly sustained pressure on our out of borough budget as a result of the number and complexity of children placed.	Director of Children's Services	The Children's Services budget position is closely monitored and reported regularly. Action plans are developed and reviews of services provided are ongoing to mitigate against any demand and financial cost pressures, as far as possible. However, the financial pressures on Children's services are reflective of the national picture and pressures experienced by the majority of Local Authorities across the country. During 18/19 and into 19/20 the Council will invest additional resources in social work capacity to manage caseloads, improve Social Work and the recruitment and retention of Social Workers. The department also continues to develop services to manage demand and reduce the numbers of children entering the care system eg. Family Group Conferences. Our requirement to set a balanced budget for 19/20 includes detailed consideration of the ongoing pressures on Social Care.

Issue	2017/18 Issue/Actions to be taken	Responsible officer(s)	Half Year Update – November 2018
	An additional area of concern is the number of social workers within Children's Services who have a higher than recommended caseload. This was an issue identified in the SIF inspection in 2017 and has been an area that has been highlighted in the recent focussed visit by Ofsted in November 2018. Effective budget and case management continues at all levels within the service to monitor and manage demand and budget pressures relating to intervention, prevention and permanence planning. To ensure that statutory services to children in need of help and protection and cared for children are prioritised.		
2. **Highways Inspection Arrangements**	Ensure an effective inspection regime is in place in respect of the Highway Network (including in relation to bridges and structures) in accordance with the frequency and standards set out in the Well-maintained Highways Code of Practice (since updated and replaced by the "Well-managed Highway Infrastructure: A code of practice").	Director of Growth & Development	Discussions have taken place during this year with the Council's partner and action plans have been agreed and are underway with regular performance monitoring and quality checks to ensure inspections are up to date and in accordance with the Code of Practice by 31st March 2019.

TO:	**Audit & Governance Committee**
FROM:	**Head of Audit & Assurance**
DATE:	**15 January 2019**

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Risk Management – 2018/19 Quarter 2 Review

1. PURPOSE

To provide the Committee with details of the risk management activity that has taken place in the period from 1 July 2018 to 30 September 2018.

2. RECOMMENDATIONS

The Committee is asked to:

- Discuss, review and challenge the progress made on the Corporate Risk Register as at the end of Quarter 2 2018/19;
- Note the risk management activity that has occurred during the period; and
- Consider the selection of a Corporate Risk for the Committee to undertake a review of its assessment, control and monitoring at its next meeting.

3. BACKGROUND

The Council recognises that risk management is not simply a compliance issue, but rather it is a process to help ensure the successful delivery of the Council's Corporate Plan priorities and objectives. Effective risk management arrangements should be embedded in the Council's culture and decision making processes as well as being an inherent part of the operational and financial management arrangements operating within the Council. Risk management helps to demonstrate openness, integrity and accountability in all of the Council's activities.

4. RATIONALE

The Audit & Governance Committee terms of reference require it to review progress on risk management at least annually and to promote risk management throughout the Council. The Corporate Risk Management Strategy & Framework requires that the Audit & Governance Committee will receive regular reports setting out progress against corporate risk management action plans. This report satisfies both these requirements.

5. KEY ISSUES AND RISKS

The Corporate Risk Register currently contains a total of 14 open risks, a reduction of one from the number of risks at the end of Quarter 1 2018/19 Corporate risk 5, the risk that that governance and decision making arrangements fail, has been reviewed and re-assessed. The controls in place relating to this area have been assessed as good and, as the new Constitution and the related governance arrangements have been confirmed as in place the risk identified has been accepted and the risk closed. This risk will continue to be managed as part of business as usual activity.

A summary of the corporate risk details is attached at Appendix 1 of this report. The report identifies any changes in the residual risk score from the previous quarter to enable movements to be tracked. The only change to note in the period is the increase in the residual risk score relating to Risk 15, failure, at a corporate level, to comply with Health & Safety legislation and provide both a safe working environment for employees and the provision of a safe environment for service users. The residual risk for this area has increased from Low to Medium. This is as a result of the likelihood of this risk being reassessed following an increase in the number of health and safety accidents and related matters reported recently. This has highlighted a lack of staff awareness regarding this area. Steps are being taken to address this through training and awareness raising.

Corporate Risk 14, that of a high profile serious/critical safeguarding incident/case occurring that is known to Council services, remains the top corporate risk as noted in the Quarter 1 2018/19 Risk Management Update reported to the October meeting of this Committee.

As part of the Council's Risk Management process we review and monitor the Corporate Risks on a regular basis to ensure that we have appropriate, properly assessed corporate risks identified going forward. Management Board review the details as part of the Management Accountability Framework reporting arrangements, as well as the on-going review and update of the risks by the designated risk owners and key contacts

The Road Risk Management Group continues to meet regularly to consider the risk management arrangements in place for the Council's motor fleet and drivers and staff use of private vehicles for Council business. The Group also reviews a range of management reports to identify and monitor themes and trends in fleet driving behaviour and insurance claims to consider any training needs. We will also continue to make use the risk management support that is available from Zurich Municipal as part of the current long term insurance agreement during the year to provide additional support to managers and senior officers regarding specific risk management arrangements and training.

6. POLICY IMPLICATIONS

There are no policy implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

8. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

9. RESOURCE IMPLICATIONS

There are no direct resource implications arising from this report.

10. EQUALITY AND HEALTH IMPLICATION

There are no equality or health implications arising from this report.

11. CONSULTATIONS

The Corporate Risk Register has been reviewed by Risk Owners and Key Contacts and agreed by Management Board.

Contact Officer:	Colin Ferguson Head of Audit & Assurance – Ext: 5326
Date:	24 December 2018
Background Papers:	Corporate Risk Management Strategy 2015/2020, 2017/18 Annual Risk Management Report (including Quarter 4 Review) and Risk Management 2018/19 Quarter 1 Review

Summary Risk Register

Update Create Insert

Directorate:

Department: Corporate Risk Register

Service:

Quarter and Year: Quarter 2 - 2018/19 | Date of last review: 30-Jun-18

Date: 30-Sep-18 | Date of next review: 31-Dec-18

				Inherent			Residual			Target							Previous Residual			
Risk No	Risk Description	Date Raised	Strength of Existing Controls	L	I	Risk Rating	L	I	Risk Rating	L	I	Risk Rating	Risk Owner(s)	Key Contact(s)	Risk Status	Last Risk Review Date	L	I	Risk Rating	Change in Score
1	Failure to deliver a balanced budget and Medium Term Financial Strategy may result in a Governement Commission taking control of the authority's finances	26-Jan-15	Good	5	5	HIGH	2	3	LOW	1	2	LOW	Louise Mattinson	Simon Ross, Zoe Evans	Open	11-Oct-18	2	3	LOW	-
2	Failure of the assets or failure to manage these in a proactive and co-ordinated way (Assets include Buildings, Infrastructure)	25-May-11	Fair	3	5	HIGH	2	4	MEDIUM	2	2	LOW	Denise Park	Lee Kinder, Stuart Scott	Open	10-Oct-18	2	4	MEDIUM	-
4	The Council is not able effectively influence and shape new partnership structures to respond to changes occurring in the public sector.	07-Feb-12	Good	3	3	MEDIUM	2	3	LOW	2	2	LOW	Denise Park	Alison Schmid / Heather Taylor	Open	06-Sep-18	2	3	LOW	-
6	Failure to deliver the management, workforce and organisational objectives for workforce reviews within the agreed budget.	17-Oct-16	Good	4	4	HIGH	1	3	LOW	1	2	LOW	Management Board	David Fairclough	Open	19-Oct-18	1	3	LOW	-
7	Ensure BwD delivers its statutory function- Emergency Preparedness, Planning, Response, Recovery & BC Promotion (small & med businesses) to protect the Community/enhance the Council's resilience, mitigate reputational and financial damage. Corporate Objectives at risk - 1,2,5,6.	25-May-11	Good	4	5	HIGH	1	5	LOW	1	5	LOW	Harry Catherall	David Fairclough, Rachel Hutchinson, Sarah Riley	Open	10-Oct-18	1	5	LOW	-
7b	Ensure delivery of statutory Civil Contingencies function - Business Continuity Management arrangements in place,planning, training testing & validating & execising procedures & plans: to protect Council's resilience, protect the community,& mitigate financial & reputational damage. Corpo Obj 1,2,5,6 link	22-Sep-16	Good	3	4	MEDIUM	2	4	MEDIUM	1	3	LOW	Harry Catherall	David Fairclough, Paul Fleming, Rachel Hutchinson, Sarah Riley	Open	10-Oct-18	2	4	MEDIUM	-
9	Failure to improve health outcomes within Blackburn with Darwen could result in the communities' health and wellbeing position or conditions deteriorating.	25-May-11	Good	3	4	MEDIUM	3	4	MEDIUM	1	3	LOW	Dominic Harrison	Gifford Kerr	Open	17-Oct-18	3	4	MEDIUM	-
10	Due to the breakdown of community relations or a deterioration of community cohesipn, greater risk of hate crime, extremism, radicalisation or polarisation of communities.	07-Feb-12	Good	4	5	HIGH	2	3	LOW	1	3	LOW	Sayyed Osman	Imran Akuji/Mark Aspin	Open	31-Oct-18	2	3	LOW	-
11	Failure to improve the education and skills for our young people	20-Aug-13	Good	4	4	HIGH	3	3	MEDIUM	2	3	LOW	Jayne Ivory	Mark Carriline	Open	10-Oct-18	3	3	MEDIUM	-
13	Failure to prevent data loss and privacy incidents (Information Governance) leading to financial/Data loss, disruption or damage to the reputation of the Council	26-Sep-14	Good	5	4	HIGH	4	2	MEDIUM	3	2	LOW	Paul Fleming	Sarah Critchley	Open	22-Oct-18	4	2	MEDIUM	-
14	High profile serious/critical safeguarding incident/case that is known to Council services.	20-Aug-13	Good	4	5	HIGH	3	5	HIGH	3	5	HIGH	Sayyed Osman / Jayne Ivory (DCS)	Paul Lee	Open	19-Oct-18	3	5	HIGH	-
15	Failure, at a corporate level, to comply with Health & Safety legislation and provide both a safe working environment for employees and the provision of a safe environment for service users.	19-Mar-15	Fair	4	4	HIGH	3	3	MEDIUM	2	3	LOW	David Fairclough	Fiona Eastwood	Open	19-Oct-18	2	3	LOW	Up
17	Cyber Risk - Risk of financial/Data loss, disruption or damage to the reputation of an organisation from compromise of its IT systems.	15-Mar-16	Good	5	5	HIGH	3	4	MEDIUM	2	4	MEDIUM	Paul Fleming	Steve Rowe	Open	22-Oct-18	3	4	MEDIUM	-
18	Insufficient budget for service delivery if MTFS income targets from the Growth Agenda are not met.	29-Nov-16	Good	4	5	HIGH	3	4	MEDIUM	3	4	MEDIUM	Denise Park,	Simon Jones	Open	01-Oct-18	3	4	MEDIUM	-

BLACKBURN with DARWEN BOROUGH COUNCIL

TO:	**Audit & Governance Committee**
FROM:	**Head of Audit & Assurance**
DATE:	**15 January 2019**

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Governance Committee – Effectiveness Assessment

1. PURPOSE

1.1 This report presents the results of the annual assessment of compliance of the Audit & Governance Committee against recognised best practise recommended by CIPFA as well as a summary of Committee members' self-assessments. The results of the various assessments are set out in appendices 1, 2 and 3 to this report.

2. RECOMMENDATIONS

2.1 Committee members are asked to review and approve the following, as a means of confirming their effectiveness as an Audit & Governance Committee:

- the Audit & Governance Committee's position when compared to the CIPFA good practice checklist (Appendix 1);
- the Evaluation of Effectiveness of the Audit & Governance Committee, produced by the Head of Audit & Assurance on behalf of the Chair of the Committee (Appendix 2); and,
- the summary results from the individual member self-assessments of the overall effectiveness of the Committee (Appendix 3).

3. BACKGROUND

3.1 Audit Committees in local authorities are necessary to satisfy the wider requirements for sound financial management, which are set out in the Local Government Act 1972 and the Accounts & Audit Regulations 2015. The Chief Financial Officer (CFO) is responsible for discharging this sound financial management requirement. To be truly effective the CFO also requires an effective Audit Committee to provide appropriate support and challenge.

3.2 In 2013 CIPFA published its document, 'Practical Guidance for Local Authority Audit Committees 2013'. The guidance includes the two checklists provided at appendices 1 and 2 to this report. These checklists contain the results of the internal assessment, and supporting evidence, for the Committee's consideration in order to conclude on the performance and effectiveness of the Committee and to identify any areas where development is needed.

3.3 The 2013 guidance also includes CIPFA's position statement: 'Audit Committees in Local Authorities and Police'. The statement sets out CIPFA's view of the role and functions of an audit committee and local authorities are recommended to review their arrangements against the position statement. It should be noted that this is a recommendation and not a mandatory requirement.

3.4 The summary questionnaire results included in Appendix 3 are based on a self-assessment questionnaire used by Audit Committees in neighbouring authorities. This provides members with an alternative basis for assessing the Committee's effectiveness. The questions asked are aimed at considering other areas to assess effectiveness compared to the more technical areas identified by CIPFA. These questions have been answered by the individual Committee members.

3.5 The details included at appendix 3 provide a summary of the responses received from the Councillors who have been members of the Committee during the Municipal Year. The overall results show that there is a belief by the majority of members that the Committee is generally operating effectively, with average scores of satisfactory/partly agree or better for most questions. However there are some areas where there is potential for improvement for consideration by the Committee.

4. RATIONALE

4.1 An Audit Committee is a key component of a Council's governance framework. An Audit Committee that fulfils its recommended role and function can effectively review the Council's corporate governance framework. The recommended guidance on the role and functions of an Audit Committee is provided by CIPFA.

5. KEY ISSUES AND RISKS

5.1 Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition) sets out CIPFA's view of the Audit Committee in relation to governance, risk management and internal control. CIPFA's Good Practice Checklist, which was appended to the Guidance, was previously completed by the former Committee Vice-Chair with the assistance of Audit & Assurance. This document has previously been presented to the Committee. Audit & Assurance updated the Checklist (see Appendix 1). This shows that the Council's Audit & Governance Committee arrangements are largely compliant with the recommended guidance. The only area where full compliance cannot be provided is:

- Question 18: The Audit & Governance Committee has not obtained feedback from others interacting or relying on its work.

However it is recognised that that the Committee's Annual Report and minutes from its meetings are reported to Council Forum at its meeting in October. This presents an opportunity to obtain feedback from Councillor colleagues at least annually.

5.2 The evaluation of effectiveness document (Appendix 2) was previously completed by the Chair of the Audit & Governance Committee with the support from the Head of Audit & Assurance. It was appended to the Audit & Governance Committee's annual report considered by this Committee on 24 July 2018. It notes the additional challenge of corporate risks that the Committee now carries out on a regular basis, the senior officer attendance at its meetings to update Members on progress of agreed actions from key reports. It also notes that the Committee now receives a Counter Fraud Annual Report.

5.3 Across five areas the score was evaluated at 4 out of a possible 5, demonstrating: "clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area". For the remaining four areas evaluated the assessed score was 5, demonstrating: "clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable".

6. POLICY IMPLICATIONS

There are no direct policy implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no direct financial implications arising from this report.

8. LEGAL IMPLICATIONS

The Accounts and Audit (England) Regulations 2015 state that the Council must ensure that it has a sound system of internal control that:

(i) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
(ii) ensures that the financial and operational management of the authority is effective; and
(iii) includes effective arrangements for the management of risk. The Audit & Governance Committee has been designated as the committee charged with ensuring the on-going effectiveness of the Council's overall governance arrangements.

9. RESOURCE IMPLICATIONS

There are no direct resource implications arising from this report.

10. EQUALITY AND HEALTH IMPLICATION

There are no equality implications arising from this report.

11. CONSULTATIONS

Contact Officer:	Colin Ferguson, Head of Audit & Assurance – Ext: 5326
Date:	24 December 2018
Background Papers:	Audit Committee – Self-Assessment & Action Plan Update, reported to Audit Committee on 9 January 2018 Audit Committee – Annual Report, reported to Audit Committee on 24 July 2018

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
Audit Committee purpose and governance					
1	Does the authority have a dedicated audit committee?	√			
2	Does the audit committee report directly to full council?	√			
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	√			
4	Is the role and purpose of the audit committee understood and accepted across the authority?	√			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	√			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	√			
Functions of the committee					
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement? ▪ good governance ▪ assurance framework ▪ internal audit ▪ external audit ▪ financial reporting ▪ risk management ▪ value for money or best value ▪ counter-fraud and corruption	√			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	√			
REF	**GOOD PRACTICE QUESTIONS**	**YES**	**PARTIAL**	**NO**	**ACTION REQUIRED**

9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	√			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	√			
11	Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	√			
Membership and support					
12	Has an effective audit committee structure and composition of the committee been selected? This should include: ▪ separation from the executive ▪ an appropriate mix of knowledge and skills among the membership ▪ a size of committee that is not unwieldy ▪ where independent non-elected members are used, that they have been appointed using an appropriate process	√			
13	Does the chair of the committee have appropriate knowledge and skills	√			
14	Are arrangements in place to support the committee with briefings and training?	√			**Consider shorter more focussed meetings and prior up front information**
15	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	√			
16	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	√			
REF	**GOOD PRACTICE QUESTIONS**	**YES**	**PARTIAL**	**NO**	**ACTION REQUIRED**
17	Is adequate secretariat and administrative support to the committee	√			

	provided?				
Effectiveness of the committee					
18	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			√	
19	Has the committee evaluated whether and how it is adding value to the organisation?	√			
20	Does the committee have an action plan to improve any areas of weakness?	√			

CIPFA'S AUDIT COMMITTEES PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES (2013 EDITION) **APPENDIX 2**
Evaluating the Effectiveness of the Audit & Governance Committee

Assessment key

5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this

Blackburn with Darwen Borough Council Audit & Governance Committee Effectiveness Assessment

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Promoting the principles of good governance and their application to decision making.	Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it. Working with key members to improve their understanding of the AGS and their contribution to it. Supporting reviews/audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships.	The Committee reviews the draft AGS prior to approving it and monitors progress of actions to address the significant issues identified in the previous years AGS. It also reviews the Risk Management Annual Report and annual opinions from Internal Audit (IA) and External Audit which support the AGS. The Committee approves the IA annual audit plan, which classifies audit reviews by assurance area to ensure adequate coverage of risk, governance and control frameworks. It receives a summary of key findings and opinions from individual reviews supporting the overall opinion. Partnership arrangements are not covered by the current terms of reference. However the Committee does receive a report on the Council's Significant Partnerships Register.	4

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
		The Committee Chair is a member of the Primary Assurance Group, which reviews the AGS and related assurance reports.	
Contributing to the development of an effective control environment.	Monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers.	Regular IA Progress Reports are presented to the Committee. These include performance indicators relating to the percentage of recommendations implemented and commentary re outstanding 'must' level recommendations. Senior officers attend the Committee meetings on request to update on the progress of actions from key reports as and provide explanations and updates on progress to address significant audit concerns. The Committee reviews the summary of MAF red priority areas of concern. The Committee is also authorised by the Council to investigate any activity within its terms of reference and to seek any information it requires from any employee, including those of partner organisations, and all employees are directed to co-operate with any request made by the Committee.	5
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. Monitoring improvements. Holding risk owners to account for major/strategic risks.	The Committee receives the annual risk management report which includes key events and achievements for the previous year and key developments for the next 12 months. The corporate risk register summary identifies risk owners at Director/senior officer level and tracks changes to residual risk scores. Regular reports are presented to Committee on the corporate risk register and risk	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
		management support activity during the year. The Committee carries out a 'deep dive' review of one or more corporate risks with the relevant risk owner or key contact at its meetings during the year.	
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.	There is regular reporting of planned and actual coverage by Internal and External Audit. The Committee challenges opportunities for reliance on IA work by External Auditors and receives Internal and External Audit and Risk Management progress reports. The IA report includes audits in progress and an in-year review of resources and achievement of plan. IA have reviewed and provided assurance on risk management arrangements in 2015/16.	4
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements and supporting improvements.	The Head of Audit & Assurance has right of access to and regular briefings for the Chair of the Audit & Governance Committee. The Committee receives and approves the IA Charter and annual strategic statement, including reporting and monitoring arrangements, supporting the IA annual plan. The External Auditors Audit Findings Report includes commentary on Internal Audit as part of their assessment of financial control arrangements. The Committee reviews the Internal Audit Quality Assurance Improvement Plan. The annual Head of Audit Opinion Report includes an assessment of IA performance and quality assurance. Committee approved Peer review approach for external assessment of IA compliance with Public Service Internal Audit Standards and received the overall opinion and a	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
		summary of the findings and themes from the Peer review action plan at its April meeting 201.	
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.	Work on this area is included in Internal and External Audit plans on a risk assessment basis. IA reviews are classified under one of the three headings in the plan and the annual report. Plans include reviews of key capital and revenue projects. Additional ad hoc work is carried out during the year on request by Directors. Internal audit progress report includes a summary of MAF red priority areas of concern. Performance management is not specifically identified in the Committee Terms of Reference. There are other processes in place within the Council's governance structure which provide scrutiny and challenge for this area, as part of the Corporate Plan Scorecard monitoring arrangements, to hold Chief Officers and managers to account on a regular basis, such as Management Board and the PAM reporting process as well as Members through PDS, SPT and Executive Board reporting. Internal audit consider performance arrangements as part of any relevant audit and would report on them as part of our progress reporting arrangements. The IA plan also includes specific KPI audits.	4

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.	Standing Financial Instruction 3, Procurement and the Payment of Creditors, and Corporate Contract & Procurement Procedure Rules are in place as part of the control framework to ensure that value for money is considered in procurement activity. Regular Creditors audits consider on compliance with these requirements. The Committee receives the External Auditors Combined Audit Findings and Value for Money Report.	4
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangements against the standards set out in CIPFA's *Managing the Risk of Fraud* (Red Book 2). Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and members.	A Counter Fraud Policy and Strategy is in place (which was reviewed and updated in 2015/16 in accordance with latest CIPFA guidance) supported by the Counter Fraud Policy Framework which includes a Fraud Response Plan, Whistleblowing Policy, Anti Money Laundering Policy and Members and Employees' Codes of Conduct. The Internal Audit progress reports include oversight of counter fraud activity and results. The Committee consider and approve the annual fraud risk assessment as part of the External Auditor's enquiries of those charged with governance and have approved the Counter Fraud Plan as part of Internal Audit annual plan 2016/17. The Committee receives the Counter Annual Report as part of the suite of annual reports which is considered prior to approval of the Annual Governance Statement:	5

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.	Audit & Governance Committee meetings are held in public with minimal Part 2 items. Agendas and reports are published on Council internet website. An Annual Audit Committee report is prepared and considered by full Council. Council Committee agendas, reports and minutes are also available on the internet via the Council website along with Executive Members' and Officer decisions. Consideration of Partnership arrangements is not currently included in the Committee's terms of reference. However a corporate Partnership Governance Framework is in place, which includes a Governance Checklist and the Committee receives a report on the Council's Significant Partnerships Register.	4

Audit & Governance Committee Effectiveness Self Assessment								Appendix 3
Assessment scores:								
1-Hardly ever/Poor/Definitely disagree 2- Occasionally/Inadequately/Partly disagree	3 - Most of the time/Satisfactory/Partly agree 4 - All of the time/Good/Definitely agree N/A - Not applicable							
CORE AREAS OF KNOWLEDGE	Number of Responses					2018/19 Average	2017/18 Average	Difference between 2017/18 and 2018/19
	N/A	1	2	3	4			
1 Members with appropriate skills and experience								
The Audit Committee should comprise members with an appropriate mix of skills and experience, including some relevant financial experience.			1	3	2	3.2	3.8	-0.6
2 Clear terms of reference								
There are clear, up to date terms of reference, with clarity as to the committee's role in relation to the council and other committees				2	4	3.7	3.8	-0.1
3 Structured and appropriate annual agenda								
There is a structured annual agenda of matters to be covered, with focus on the right areas.		1			5	3.5	3.8	-0.3
4 Sufficient number of meetings and access to resources								
The number and length of meetings and access to resources is sufficient to allow the committee fully to discharge its duties.		1		2	3	3.2	3.5	-0.3
5 Concise, relevant and timely information								
Audit Committee papers are concise, relevant and permit timely resolution of the issues raised		1		4	1	2.8	3.0	-0.2
6 The right people are invited to attend and present at meetings								
Senior officers and others are asked to present on issues as appropriate.		1		2	3	3.2	3.8	-0.6
7 Attendance and contribution to meetings								
All Audit Committee members attend and actively contribute at meetings	1		1	2	1	2.6	3.3	-0.7
8 Sufficient time and commitment to undertake responsibilities								
As an Audit Committee member I have sufficient time and commitment to fulfil my responsibilities		2		3	1	2.5	3.5	-1.0
9 On-going personal development								
Audit Committee members have access to on-going development activities to update their skills and knowledge.		1		2	3	3.2	3.8	-0.6
10 Understanding the Council's business								
The Audit Committee has a good understanding of the different risks inherent in the council's business activities.			1	4	1	3.0	3.3	-0.3
11 Focus on appropriate areas								
The Audit Committee focuses on the right questions and is effective in avoiding minutia		1		2	3	3.2	3.2	0.0
12 Understanding of how assurance is gained								
The Audit Committee understands the relationship between the various sources of assurance available to it.				4	2	3.3	3.2	0.1
13 Quality of interaction with external audit								
The Audit Committee actively engages with the external auditors regarding the scope of their work and audit findings.		1		2	3	3.2	3.2	0.0
14 Quality of interaction with internal audit								
The Audit Committee demonstrates an appropriate degree of involvement in the work of internal audit and its findings.	1	1		2	2	3.0	3.3	-0.3
15 Frank, open working relationship with senior officers								
Audit Committee members have a frank and open relationship with senior officers, whilst avoiding the temptation to act as officers.		1		3	2	3.0	3.7	-0.7
16 Open channels of communication								
The Audit Committee has open channels of communication with officers and other members to keep it aware of topical/regulatory issues.		1		3	2	3.0	3.5	-0.5
17 Rigour of debate								
Audit Committee meetings encourage a high quality of debate with robust and probing discussions.		1	1	2	2	2.8	3.5	-0.7
18 Reaction to bad news								
The Audit Committee responds positively and constructively to bad news to encourage future transparency.		1		3	2	3.0	3.0	0.0
19 Perceived to have a positive impact								
There is an appropriate balance between the monitoring role and the Committee acting as an "influencer for good".	1	2		1	2	2.6	3.3	-0.7
20 Quality of chairmanship								
The Chair promotes effective and efficient meetings		1		1	4	3.3	3.3	0.0
21 How do we know that we are being effective in achieving our terms of reference and adding value to the corporate governance of the Authority?								
By comparing the Council's assessment to the CIPFA guidance.								
We know, as part of the Committee. However the wider elected Council do not know about the group or its work.								
Open and honest discussion with informative contribution by officers.								
Good external audit reports.								
We do not.								
Programme of audits and reports								
22 How do we know what impact we are having?								
Regular breifing sessions with officers and discussing a way forward regarding issues.								
Effective risk management with regular risk updates aling with progress and outcomes reports. Opportunities to challenge risks and follow outcomes.								
Comments and recommendations are taken on board by officers, with prompt feedback on any progress.								
Because the risk are being managed and we have not had any catastorphic failings								
Feedback on audit recommendations								

23 What do we do well as a committee?								
Good communications and relations with officers and Exec Borad members								
Very little.								
Read and take up issues, if any								
We have a good relationship with officers, and meetings go smoothly, but members need to have read and understood the content to make sound judgements or debate.								
24 What could we do differently or better as a Committee?								
Not sure as the content is vast and rather dry.								
Shorter more focussed meetings , prior infofmnarttuion up front								

TO:	**Audit & Governance Committee**
FROM:	**Deputy Chief Executive**
DATE:	**15th January 2019**

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Significant Partnerships Register 2018/19

---

1. PURPOSE

To provide Members with an update on the Significant Partnerships Register for 2018/19. The Register identifies all the significant partnerships the local authority is involved in as per the Audit & Governance Committee's Terms of Reference.

2. RECOMMENDATIONS

The Audit & Governance Committee is asked to:

- Review and approve the significant partnerships submitted for inclusion in the 2018/19 register

3. BACKGROUND

The information held within the Significant Partnerships Register is captured using the Partnership Governance Framework. This document was designed to ascertain which partnerships exist across the Council and of these which ones would classify as 'significant.' The document is in two parts – guidance and template - to ensure that Directors are able to ascertain which partnerships within their remit can be defined as 'significant' and lead officers can then outline the partnership's compliance with the Council's guidelines using the template. The document has undergone changes following internal audits and changes to best practice nationally. However, it still maintains its original aim of ensuring compliance with council policy and identifying appropriate evidence of this to aid future audits.

The current framework is based on the Council's Code of Corporate Governance and CIPFA guidance on Delivering Good Governance. The Register is an opportunity to ensure that partnerships throughout the local authority are well-governed and that appropriate oversight is in place. For the purposes of this exercise a significant partnership is: *"an agreement between two or more independent bodies to work collectively to achieve an objective, normally excluding the familiar relationships between client and contractor or employer and staff'.'*

It is defined as a joint working arrangement where the partners:

- are otherwise independent bodies;
- agree to co-operate to achieve common goals and outcomes for the community;
- share accountability, risks, and resources;
- share relevant information; and
- agree processes and programmes to achieve the common goal.

4. RATIONALE

The Significant Partnerships Register is updated on an annual basis to review and assess partnerships to ensure that they continue to be relevant, offer value for money and that the intended outcomes are being achieved. As a result of budget pressures over the past ten years there has been a change in the number of partnerships the council is involved in. To ensure resources (assets, staff and financial) are utilised to maximum benefit, membership of various partnerships has been reviewed over the years.

5. KEY ISSUES

In October 2018 the Audit and Assurance Team undertook an audit exercise of the Significant Partnerships Register to ascertain its effectiveness. Substantial Assurance was awarded for the Control environment and Adequate Assurance was awarded for Compliance. A small number of recommendations were made to strengthen the process and these have now been implemented. In addition to these recommendations, there will be an additional follow-up with Directors after six months to ascertain if any partnerships have changed or any new ones have been created. This will increase the level of oversight and governance within the organisation and will allow a high standard of oversight to be implemented at a partnership's creation.

The Significant Partnerships Register update 2018/19 was undertaken following the completion of the audit. A copy of the entries submitted is attached as appendix A. Following approval of the Register by the Committee, lead officers for each partnership will be asked to complete an updated governance framework to ensure that the partnership is compliant with Blackburn with Darwen Borough Council guidance and also CIPFA recommendations. Responsibility rests with the department to ensure that supporting evidence is available for examination upon request.

Directors have been reminded of their responsibility to ensure that completed framework documents are submitted for each significant partnership within their department. In addition, Directors must sign each framework document before submission to the Corporate Research, Policy and Partnerships team.

6. POLICY IMPLICATIONS

There are no policy implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

8. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

9. RESOURCE IMPLICATIONS

There are no resource implications arising from this report.

10. EQUALITY AND HEALTH IMPLICATION

There are no equality implications arising from this report.

11. CONSULTATIONS

Individual Directors approve each entry on the register and also sign-off the related framework. Entries without a Director's signature are not accepted.

Contact Officer:	Anisa Patel (ext. 5206)
Date:	15th January 2019
Background Papers:	Significant Partnerships Register (appendix 1)

Department	Service area	Name of partnership	Purpose of partnership	Lead officer	Date established
Adults & Prevention	Commissioning	Joint Commissioning Recommendations Group	To provide the planning, implementation and governance framework for integrated commissioning between the Council and Clinical Commissioning Group (CCG), as set out by the Health and Wellbeing Board, CCG Governing Body and the Council Executive Board.	Sayyed Osman	01 May 2013
	Community Safety	Pennine Lancashire Community Safety Partnership Board	To comply with the requirements of the Crime and Disorder Act; providing strategic governance in relation to the prevention and detection of crime and anti-social behaviour.	Sayyed Osman / Mark Aspin	1st October 2016
	Integrated Care	Local Integrated Care Partnership	To enable Adult Social Care, Neighbourhood Teams, Health and the Voluntary Sector to efficiently work together to achieve better health, wellbeing and quality of life outcomes for our residents .The partnership has responsibility for delivering and improving shared health and care goals and providing the overarching framework within which partnership arrangements at the district and neighbourhood levels operate.	Katherine White	June 2018
	Neighbourhoods	Transforming Lives	To prevent admissions, and more immediately, repeat admissions, in the Health, Social Care and Criminal Justice System within Blackburn with Darwen and East Lancashire (collectively known as Pennine Lancashire) through a change in working culture and approach working within geographical footprints, underpinned by evidence base.	Sayyed Osman / Heather Taylor	June 2014
	Safeguarding	Local Safeguarding Adult's Board	Lead strategic group for safeguarding vulnerable adults	Paul Lee / Abdul-Aziz Ghiwala	01 April 2010
Chief Executive's	Health	Healthier Lancashire and South Cumbria STP	Sustainability and Transformation programme as outlined by NHS England. To implement the 5 year forward view and to integrate health and care. We support and attend a number of groups: Joint Committee, Programme Board, Finance and System Board, Care System Design and Digital Health.	Harry Catherall	2016
		Pennine Lancashire Transformation programme – Together a Healthier Future	Local delivery area to integrate health and care. Made up of East Lancashire CCG, BwD CCG,ELHT, LCFT, BwD Council, district councils in Pennine Lancashire and LCC. We support and attend a number of groups: System Leaders Forum, Transformation Steering Group, Finance and Investment Group, Communications and Engagement and Workforce and Leadership.	Harry Catherall / Dominic Harrison	2016
	Policy & Research	Lancashire Public Service Board	To provide an effective working partnership for Local Government and the public sector in Lancashire to deliver a cohesive work programme including identifying opportunities for efficiency savings, supporting vulnerable people, future workforce planning and co-location/shared services.	Alison Schmid	6th February 2017
		Lancashire Enterprise Partnership	Collaboration of Leaders from business, universities and local councils who direct economic growth and drive job creation.	Alison Schmid	Steering Group 2000 Board 2008
		Growth Lancashire	Collaborative working arrangements across the public and private sector in BwD and the wider Lancashire area, focussed on growing productivity, prosperity and places. BwD is one of its founding members, is the company's employing body and Deputy Chair of the Board.	Matthew Sidgreaves	(Regenerate 2005) and Growth Lancashire 2016
		The NW Evergreen Fund	Property loan fund supported by EU funding to provide development funding in Greater Manchester, Lancashire and Cheshire	Denise Park	2013
		Hive Ambassadors Network	Hive is a business network made up of over 330 local businesses with the aim to drive business growth in Blackburn and Darwen as well as promoting the borough as an excellent place to live, work and visit. The board consists of key senior staff from a variety of local businesses and organisations.	Denise Park	2012
		PLACE Leaders and Chief Executive	Collaboration of local authorities, health and the Chamber of Commerce across Pennine Lancashire to direct economic growth and drive job creation across borough boundaries to the benefit of local residents.	Harry Catherall / Alison Schmid	PLACE Partnership 2005
		Blackburn with Darwen Employment and Skills Board	The Employment and Skills Board brings together the public, private and voluntary sector. The Board has agreed an Employment and Skills Strategy which align with national policy and the Lancashire LEP Skills and Employment Strategic Framework. The Board meets four times per year and has three sub groups to take actions forward.	Harry Catherall / Alison Schmid	Dec-17
Children's Services & Education	Safeguarding	Local Safeguarding Children's Board	Lead strategic group for safeguarding children and young people	Paul Lee	2006
		Youth Justice Service Strategic Management Board	Provides strategic direction to the Youth Justice Service	Imran Akuji	Steering Group 2000 Board 2008
		MAPPA Strategic Management Board	From the beginning of the year 2004 there has been a legal "duty" for social services "to co-operate" with the local police and probation departments with MAPPA (Multi-agency Public Protection Arrangements - section 325 of the Criminal Justice Act 2003). The duty to co-operate relates to operational casework involving assessing and managing the risk posed by high-risk offenders.	Paul Lee	2001

	Schools	BBCL School Improvement Board	The BBCL School Improvement Board (BBCL SIB) was established in 2014 in order to bring together the significant stakeholders, including the RSCs, LAs, Dioceses, Teaching Schools, MATs, Teaching School Council, NCTEM, NLEs and NLGs - who will become the custodians of a self-sustaining, self-improving education system as outlined in the government's white papers in 2010 and 2015.	Mark Carriline	2014
Growth and Development	Capita Partnership	Capita Partnership Board	This is a new flexible partnership between Capita and the Council, with Capita providing a blend of services and business cases that will deliver savings, income and growth for the borough. The deal will build the North of England's first 'place-based partnership', creating new opportunities around the development of land, local assets and skills that generate income and transform Blackburn with Darwen.	Denise Park	February 2016
	Planning & Transport	Pennine Lancashire Building Control	To provide a sustainable Building Control service - initially between BwD and Burnley	Nick Bargh	3rd September 2009
	Property	Lancashire Property Board	To support the Lancashire councils' policy ambition of Public Services Working Together – where Lancashire delivers integrated public services at the heart of local communities, giving everyone the opportunity for a healthier and safer life.	Andrew Bond	January 2017
HR, Legal and Governance	Civil Contingencies	Lancashire Resilience Forum	One of the key requirements of the Civil Contingencies Act (2004) was for Category 1 and 2 responders to form a 'Local Resilience Forum' based on Police areas. In Lancashire this is known as the Lancashire Resilience Forum (LRF). The LRF is chaired by the Assistant Chief Constable of Lancashire Constabulary. The LRF Executive Level meets twice a year and senior representatives of all Category 1 and 2 responders are invited to attend. The main work of the LRF is carried out by various thematic sub-groups who report to the LRF General Purposes Group.	Rachel Hutchinson	2006
Public Health & Wellbeing	Public Health	Health and Wellbeing Board	Integrated partnership between the NHS, Social Care, Public Health and other local services to improve health and wellbeing in the borough.	Dominic Harrison	February 2011 Statutory Board 2013
		Strategic Alliance Meeting	Partnership between the Council, Blackburn College and Lancaster University to achieve shared economic, social and education outcomes for the borough and wider and aim to become a national exemplar for joint working between anchor institutions.	Dominic Harrison	10th May 2017