

Public Document Pack

Audit & Governance Committee

Tuesday, 14th January, 2020
Meeting Room A,
Town Hall,
Blackburn
6.30 pm

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Date Published: Monday, 06 January 2020
Denise Park, Chief Executive

AUDIT & GOVERNANCE COMMITTEE

Tuesday, 15 October 2019

PRESENT – Councillors, McGurk (in the Chair), Whittle, Davies, Fazal and Slater.

OFFICERS – Louise Mattinson, Andrew Tordoff, Chris O'Halloran, Phil Llewellyn and Becky Bird (BwDBC), John Farrar and Simon Hardman (Grant Thornton).

ALSO PRESENT – Councillor Andy Kay.

RESOLUTIONS

19 **Welcome and Apologies**

The Chair welcomed everyone to the meeting. Apologies were received from Councillor Rawat.

20 **Minutes of the meeting held on 6th August 2019**

The Minutes of the meeting held on 6th August 2019 were agreed as a correct record, subject to the amendment of the third paragraph in minute number 17, with the removal of 'with work due to be completed to meet the deadline of 13th September 2019'.

21 **Declarations of Interest**

No Declarations of Interest were received.

22 **External Audit Progress Report and Update - Year Ended 31st March 2020**

John Farrar and Simon Hardman reported that the financial statements audit for 2018-19 had been completed and the report and certificate of closure had been issued on 30th September, and a Value for Money (VFM) Conclusion had also been issued on the same day. Planning was underway for the 2019-20 audit and VFM work.

It was also reported that the annual Housing Benefit Subsidy certification work was in progress for 2018-19 and would be completed by the November deadline. The Council's Teachers Pension return was also being reviewed and work would be complete by the 30th November deadline.

A Sector update was also provided, highlighting key developments and changes.

In discussing the report, the Chair and several Members of the Committee made reference to the additional fees highlighted on page 27 of the agenda, where £9k additional fees were outlined, £3k of which related to assessment of the impact of the McCloud ruling, £3k relating to work around IAS 19 (Pensions) and a further £3k relating to PPE valuations work. The Chair indicated that these additional costs were forecastable and should

have been planned work and not be an additional cost to the Council.

John Farrar explained the circumstances and advised that the IAS 19 and PPE work had been highlighted by the Financial Reporting Council nationally and that the quality of audit work in these areas needed to improve across the sector. Accordingly, the fees for the extra work had been passed on to the Council.

It was confirmed that Council officers would be pursuing this matter with the P.S.A.A, and the Chair commented that it was understood that not all auditors had charged their clients for this work.

John Farrar confirmed that there would be no additional fees for this work in 19/20.

In relation to the actual audit, the Chair advised that she requested feedback from officers on the audit, and feedback had been received that there had been repetition of work, with the same areas being looked at again from the beginning and it would have been better if a fresh approach had been taken. The External Auditors advised that some of the audit work had to be done the same way, but that changeover of staff had been part of the issue, but that handover of work would be managed moving forward and monthly meetings with Finance would also help.

RESOLVED – That the update be noted.

23 Treasury Management Report - June to August 2019

A report was submitted which updated Members with regard to the Treasury Management position to date and proposed Strategy for the remainder of 2019/20. The report summarised the interest rate environment for the period and borrowing and lending transactions undertaken, together with the Council's overall debt position, and the position against Treasury and Prudential Indicators established by the Council.

RESOLVED – That the Treasury Management position for the period, and proposed Strategy for the remainder of the year be noted.

24 Audit & Assurance - Progress & Outcomes to September 2019

A report was submitted outlining the achievements and progress made by Audit & Assurance in the period from 1st June 2019 to 30th September 2019.

Counter Fraud Activity relating to the National Fraud Initiative was highlighted, along with other fraud investigations, in particular two separate cases of suspected overpayments in respect of social care clients in receipt of Direct Payments for their care provision. Louise Mattinson advised that she would raise these matters with Sayyed Osman, Director (Statutory DASS) in terms of the administration around changes of circumstances.

The report also highlighted recent audits undertaken, and those ongoing, along with audit performance compared to the previous period.

RESOLVED – That the report be noted.

25 Risk Management - 2019/20 Quarter 1 Review

The Committee were advised of risk management activity for the first quarter – 1st April 2019 to 30th June 2019.

There were 13 open risks at 30th June 2019, with no change to the residual risk score for any of the risks identified since the last quarter.

In discussing the report, the risk relating to trip hazards on un-adopted roads was raised, with Louise Mattinson advising that she would check with the Council's insurance team about any potential liabilities and report back accordingly.

The Committee were asked to consider which Corporate Risk it would like to review at its next meeting, between Adult Safeguarding and Health Outcomes, with the Committee selecting Health Outcomes.

RESOLVED – 1) That the risk management activity that has occurred during the period be noted; and
2) That a review of the Corporate Risk Health Outcomes be undertaken at the next meeting in terms of its assessment, control and monitoring.

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: **14TH JANUARY 2020**

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)

The Annual Audit Letter for Blackburn with Darwen Borough Council

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31 October 2019



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Your key Grant Thornton team members are:

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Blackburn with Darwen Borough Council (the Council) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit and Governance Committee as those charged with governance in our Audit Findings Report on 6th August 2019 and in our addendum dated 11 September 2019.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £7,182,000, which is 1.8% of the Council's prior year gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the Council's financial statements on 30 September 2019.
Whole of Government Accounts (WGA)	We issued our assurance statement to confirm that the Council's income, expenditure and balances did not exceed the NAO's threshold and no detailed work was required.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 30 September 2019.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions and to certify the Council's Teacher's Pensions return. Our work on these claims is not yet complete and will be finalised by 30 November 2019. We will report the results of this work to the Audit and Governance Committee separately. In November 2018 we completed our work on the 2017/18 Housing Benefit Subsidy claim. The claim was of a good standard and we only found one issue, relating to an income disregard not being properly applied, leading to an underpayment of benefit. The finding was summarised in a Qualification Letter to the DWP.
Certificate	We certified that we have completed the audit of the financial statements of Blackburn with Darwen Borough Council in accordance with the requirements of the Code of Audit Practice on 30 September 2019.

Working with the Council

During the year we have delivered a number of successful outcomes with you:

- Delivering an efficient and high-quality audit, which included identifying several audit adjustments, particularly in relation to the incorrect inclusion of recharges in the draft financial statements
- Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness.

- Sharing our insight – we provided regular Audit and Governance Committee updates covering best practice. We also shared our thought leadership reports
- Providing training – we provided your teams with training on financial statements and annual reporting
- Support outside of the audit including the provision of insight and analysis tools.

We would like to record our appreciation for the assistance provided to us during our audit by the Council.

Grant Thornton UK LLP
October 2019

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £7,182,000, which is 1.8% of the Council's prior year gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We set a lower threshold of £359,000, above which we reported errors to the Audit and Governance Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements and the narrative report and annual governance statement published alongside the financial statements to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings</p> <p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the:</p> <ul style="list-style-type: none"> • size of the numbers involved, for example the net book value of land and buildings as at 31 March 2018 was £227.3m; and • the sensitivity of this estimate to changes in key assumptions. <p>Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value for surplus assets at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • evaluated and challenged management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made during the year to see if they had been input correctly into the Authority's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. 	<p>Our work on this significant risk identified the following:</p> <ul style="list-style-type: none"> • an adjustment to the accounts was required due to a revaluation being posted to the wrong school on the asset register. The error resulted in PPE being overstated by approximately £5m. • a revaluation was incorrectly posted to one component in the asset register, however it should have been split with a second component, resulting in £451k being included twice. This error was not adjusted for. • a number of downwards revaluations on surplus assets, totalling £4.594m, were posted to the surplus/deficit on provision of services, whereas they should have been posted to the revaluation reserve. This error, which was adjusted for. <p>No further issues were identified in relation to the valuation of land and buildings.</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of net pension liability</p> <p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the:</p> <ul style="list-style-type: none"> • size of the numbers involved, with the pension scheme liability estimated at £249.2m as at 31 March 2018; and • the sensitivity of the estimate to changes in key assumptions. <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and • obtained assurances from the auditor of Lancashire County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. 	<p>An additional review was completed by the Council as a result of the McCloud ruling, where the Court of Appeal ruled that there was age discrimination in pension schemes for judges and firefighters where there were transitional protections given to scheme members, and this legal ruling has impacts for other public service schemes including the Local Government Pension Scheme. This additional review was completed with the Pension Fund and Actuary, to identify the impact on the pension liability. Our additional work on this issue included reviewing the output from this additional review and the proposed disclosure within the Statement of Accounts.</p> <p>The results from this additional review showed an increased past service cost of £5,855k. The Council did not adjust for this on the basis that it was not material.</p> <p>No further issues were identified in relation to the valuation of the net pension liability.</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of internal controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we;</p> <ul style="list-style-type: none"> evaluated the design effectiveness of management controls over journals analysed the journals listing and determined the criteria for selecting high risk unusual journals tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>We identified within our testing that the Council's S151 Officer input 48 journals relating to 2018-19. Our review of these journals confirmed that these related to reclassifications within the ledger. We were satisfied that there was no evidence of management override of controls.</p> <p>In all organisations, a senior officer's ability to process journal entries increases the actual, and perceived, risk of management overriding controls. We therefore raised a control finding for the Council to consider restricting the access levels in the main accounting system to prevent senior management from inputting journals.</p> <p>No further issues were identified in relation to management override of controls.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 30 September 2019.

Preparation of the financial statements

The Council presented us with draft financial statements in accordance with the national deadline, and provided working papers to support them. The finance team responded to our queries during the course of the audit to allow the opinion to be issued in September 2019.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit and Governance Committee on 6 August 2019 and in an addendum dated 11 September 2019.

In addition to the key audit risks reported above, the main issue arising from our audit related to the Council's income and expenditure figures including approximately £23million of internal recharges in the draft version of the accounts. Inclusion of the recharges does not adhere to the requirements set out in the CIPFA Code of Practice on Local Authority Accounting and the majority of them were removed from the final version of the Council's Statement of Accounts.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance, though some enhancement to the Narrative Report was required to include further performance information. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We issued an assurance statement which confirmed the Council was below the audit threshold.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Blackburn with Darwen Borough Council in accordance with the requirements of the Code of Audit Practice on 30 September 2019.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work. The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in August 2019, we agreed recommendations to address our findings. We made one recommendation relating to the VfM Conclusion which was for the Council to continue to focus on efficiencies and transformation to achieve significant savings. We made this recommendation to address the risk that remains on the Council's financial position, with an estimated budget-gap of £6.6m by the end of 2021/22.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial sustainability</p> <p>Blackburn with Darwen, in line with other authorities, continues to operate under significant financial pressures. The Council has currently identified two directorates with projected overspends, and cost pressures within three others.</p>	<p>We monitored the Council's financial position through regular meetings with senior management and review of key documents including:</p> <ul style="list-style-type: none"> the Medium Term Financial Strategy budget monitoring reports. <p>We considered how the Authority manages budget delivery and also the key assumptions made to financial plans to meet the challenges ahead. Our VfM linked through to our audit of your financial statements, particularly around going concern. We also assessed progress in the identification and delivery of plans to address the funding gaps into 2019/20 and beyond.</p>	<p>The Outturn report for 2018/19 highlighted that the net portfolio controllable budgets, covering the key Council services, had an overspend of £2.8million. The main areas of overspend were:</p> <ul style="list-style-type: none"> £1.4million in relation to 'Children, young people and education' £0.9million for Environmental Services £0.5million on Leisure services <p>Overspends in Children Services are common across many councils due to the difficulties in managing demand. In relation to Environmental Services, the achievability of income targets were a main reason behind the overspend for example due to the late introduction of car park price increases. Other cost pressures exist in the service due to increasing costs in waste disposal services.</p> <p>The impact on the general fund balance from such overspends were offset by a number of positive variations, the largest being:</p> <ul style="list-style-type: none"> Net savings in respect of interest and debt repayment costs of £1.126million Unused provisions written back in to revenue of £0.473million Carbon Reduction Commitment saving of £0.242million <p>Similarly to other councils, Blackburn with Darwen does not deliver all of its approved capital programme during the year. Understandably the main focus when reviewing financial performance is usually linked to the delivery of the revenue budget. The programme approved by the Executive Board in February 2019 totalled £28.7million, with only £20.4million delivered. Delivery issues relating to the capital programme are being addressed in the current financial year through enhanced arrangements to improve approval and monitoring processes.</p> <p>The Medium Term Financial Strategy (MTFS) for 2019/20 identified a budget gap of £4.9 million and was based on financial and demand information available to the Council in January/February 2018. During the year pressures emerged that were not built into these figures, particularly relating to social care. To address such pressures the Council's budget was supported by a contribution from reserves of £1.03m but, as some of the additional costs are of a recurring nature, further action will be required.</p> <p>The Council's current MTFS covers the period up to 2021/22. Usually the Council's MTFS would cover three future years however, due to funding uncertainties, it was decided that it would not be appropriate to extend through to 2022/23. Within the MTFS the Council estimates a deficit of £6.6million by the end of 2021/22, with other scenarios set out in the strategy suggesting that this deficit may actually be higher.</p> <p>From the MTFS it is unclear how the Council will close the gap, however it does have a track record of delivering savings and will continue to develop its plans as funding settlements become clearer.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and, on the following page, the fees for the provision of additional audit and non-audit services.

Reports issued

Report	Date issued
Audit Plan	April 2019
Audit Findings Report	August 2019
Audit Findings Report Addendum	September 2019
Annual Audit Letter	October 2019

Fees

	Planned £	Proposed final £	2017/18 £
Statutory audit	83,186	92,186	106,839

Audit fee variation

As outlined in our audit plan, the 2018/19 planned fee of £83,186, which includes an additional £4,000 as the Council is a Public Interest Entity and requires an 'Enhanced Audit Report', assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed £
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	3,000
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	3,000
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	3,000
Total		9,000

All of the fee variations are subject to PSAA approval.

A. Reports issued and fees continued

Fees for non-audit services

Service	Fees £
Audit related services	
- Housing Benefit Subsidy Claim Certification	7,750
- Teachers Pension Return Certification	4,200
Non-Audit related services	
- CFO Insights Subscription	10,000
- Place Analytics License	14,000

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor.



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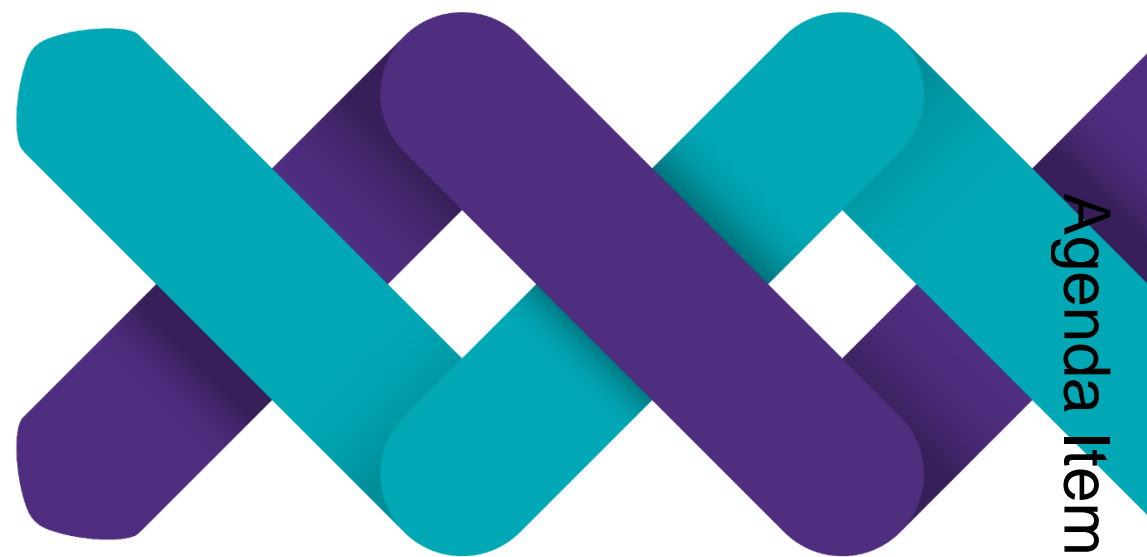
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Audit Progress Report and Sector Update

Blackburn with Darwen Borough Council

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January 2020



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Introduction



John Farrar

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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 your Engagement Lead.

Progress at 6 January 2020

Financial Statements Audit

We will begin our detailed planning for the 2019/20 audit in January and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will begin our interim audit in February 2020. Our interim fieldwork includes:

- 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 will update the Committee of our findings and progress at the March meeting.

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".

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

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

We will report our work in the Audit Findings Report.

The NAO is consulting on a new Code of Audit Practice from 2020 which proposes to make significant changes to Value for Money work. Please see page 10 for more details.

Progress at 6 January 2020 (Cont.)

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The Council claimed £44.7m of subsidy in relation to the 2018/19 financial year. The 2018/19 claim was prepared to a good standard. We are required to report to DWP on errors identified during our certification work; we reported one error to DWP, the potential extrapolated effect of which was an overclaim of subsidy of approximately £1,000. Our report was issued on 21 November 2019, in advance of the deadline of 30 November 2019.

We also certify the Council's annual Teachers' Pensions return, in accordance with procedures agreed with Teachers' Pensions (TP). The Council paid over contributions of £9.25m in relation to contributory salary of £35.7m for the 2018/19 financial year. We are required to report to TP on the results of agreed upon testing procedures. Following completion of our work the Council's return was amended to reflect an additional £2,500 due to the Council. Our report was issued on 23 December 2019, after the certification deadline of 29 November 2019.

Meetings

We met with Finance Officers in November and December as part of our regular liaison meetings and continue to be liaise with your finance team regarding emerging developments and to ensure the audit process is smooth and effective. The next meeting is due to take place on 14 January 2020.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers have been invited to our Financial Reporting Workshop in February, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We are currently reviewing the impact of these changes on both the cost and timing of audits. We will discuss this with your Director of Finance including any proposed variations to the Scale Fee set by PSAA Limited, before communicating fully with the Audit and Governance Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p>Fee Letter</p> <p>Confirming audit scale fee for 2019/20.</p>	April 2019	<p>Complete</p> <p>As noted on page 5 we will discuss proposed variations to the Council's audit scale fee with the Director of Finance in the first instance.</p>
<p>Accounts Audit Plan</p> <p>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 2019-20 financial statements.</p>	February 2020	Not yet due
<p>Interim Audit Findings</p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	March 2020	Not yet due
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the July Audit and Governance Committee.</p>	July 2020	Not yet due
<p>Auditors Report</p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2020	Not yet due
<p>Annual Audit Letter</p> <p>This letter communicates the key issues arising from our work.</p>	August 2020	Not yet due

Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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 local government sector 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 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 by clicking on the logos below:

Public Sector

Local
government

Grant Thornton's Sustainable Growth Index Report

Grant Thornton has launched the Sustainable Growth Index (formerly the Vibrant Economy Index) – now in its third year. The Sustainable Growth Index seeks to define and measure the components that create successful places. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally. We have undergone a process of updating the data for English Local Authorities on our online, interactive tool, and have produced an updated report on what the data means. All information is available on our online hub, where you can read the new report and our regional analyses.

The Sustainable Growth Index provides an independent, data-led scorecard for each local area that provides:

- businesses with a framework to understand their local economy and the issues that will affect investment decisions both within the business and externally, a tool to support their work with local enterprise partnerships, as well as help inform their strategic purpose and CSR plans in light of their impact on the local social and economic environment
- policy-makers and place-shapers with an overview of the strengths, opportunities and challenges of individual places as well as the dynamic between different areas
- citizens with an accessible insight into how their place is doing, so that they can contribute to shaping local discussions about what is important to them

The Index shows the 'tip of the iceberg' of data sets and analysis our public services advisory team can provide our clients who are considering future locations in the UK, or wanting to understand the external drivers behind why some locations perform better than others.

Our study looks at over 50 indicators to evaluate all the facets of a place and where they excel or need to improve.

Our index is divided into six baskets. These are:

- 1 Prosperity
- 2 Dynamism and opportunity
- 3 Inclusion and equality
- 4 Health, wellbeing and happiness
- 5 Resilience and sustainability
- 6 Community trust and belonging

This year's index confirms that cities have a consistent imbalance between high scores related to prosperity, dynamism and opportunity, and low scores for health, wellbeing, happiness inclusion and equality. Disparity between the richest and poorest in these areas represents a considerable challenge for those places.

Inclusion and equality remains a challenge for both highly urban and highly rural places and coastal areas, face the most significant challenges in relation to these measures and generally rank below average.

Creating sustainable growth matters and to achieve this national policy makers and local authorities need to do seven things:

- 1 Ensure that decisions are made on the basis of robust local evidence.
- 2 Focus on the transformational trends as well as the local enablers
- 3 Align investment decisions to support the creation of sustainable growth
- 4 Align new funding to support the creation of sustainable growth
- 5 Provide space for innovation and new approaches
- 6 Focus on place over organisation
- 7 Take a longer-term view

The online report is available here:

<https://www.grantthornton.co.uk/en/insights/sustainable-growth-index-how-does-your-place-score/>



MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”



In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, is expected to report to the communities secretary, with a final report published in Summer 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.

The terms of reference focus on whether there is an “expectation gap” between the purpose of external audit and what it is currently delivering. It will examine the performance of local authority audit, judged according to the criteria of economy, effectiveness and efficiency.

Other key areas of the review include whether:

- 1) audit recommendations are effective in helping councils to improve financial management
- 2) auditors are using their reporting powers appropriately
- 3) councils are responding to auditors appropriately
- 4) financial savings from local audit reforms have been realised
- 5) there has been an increase in audit providers
- 6) auditors are properly responding to questions or objections by local taxpayers
- 7) council accounts report financial performance in a way that is transparent and open to local press scrutiny

National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfill their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

Page 30 Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO is consulting on potential changes to the Code in two stages:

Stage 1 involves engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

This stage of the consultation is now closed. The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO state that they have considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this will inform the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)


Stage 2 of the consultation involves consulting on the draft text of the new Code. To support stage 2, the NAO has published a consultation document, which highlights the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The consultation document and a copy of the draft Code can be found on the NAO website. The consultation closed on 22 November 2019. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

Link to NAO webpage for the Code consultation:

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>


<p>Consultation response by the National Audit Office</p>
<p>Local audit in England Code of Audit Practice</p>
<p>Issues paper: Consultation response</p>

Financial Reporting Council – Summary of key developments for 2019/20 annual reports

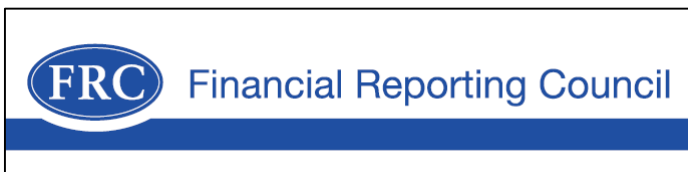
On 30 October the Financial Reporting Council (FRC) wrote an Open Letter to Company Audit Committee Chairs. Some of the points are relevant to local authorities.

The reporting environment

The FRC notes that, “In times of uncertainty, whether created by political events, general economic conditions or operational challenges, investors look for greater transparency in corporate reports to inform their decision-making. We expect companies to consider carefully the detail provided in those areas of their reports which are exposed to heightened levels of risk; for example, descriptions of how they have approached going concern considerations, the impact of Brexit and all areas of material estimation uncertainty.” These issues equally affect local authorities, and the Statement of Accounts or Annual Report should provide readers with sufficient appropriate information on these topics.

Critical judgements and estimates

The FRC wrote “More companies this year made a clear distinction between the critical judgements they make in preparing their accounts from those that involve the making of estimates and which lead to different disclosure requirements. However, some provided insufficient disclosures to explain this area of their reporting where a particular judgement had significant impact on their reporting; for example, whether a specific investment was a joint venture or a subsidiary requiring consolidation. We will continue to have a key focus on the adequacy of disclosures supporting transparent reporting of estimation uncertainties. An understanding of their sensitivity to changing assumptions is of critical value to investors, giving them clearer insight into the possible future changes in balance sheet values and which can inform their investment decisions.” Critical judgements and estimates also form a crucial part of local authority statements of account, with the distinction often blurred.



IFRS 16 Leases

The FRC letter notes “IFRS 16 is effective for periods beginning on or after 1 January 2019. We recently conducted a thematic review looking at how companies reported on their adoption of the new standard in their June 2019 interim accounts. In advance of our detailed findings which will be published shortly, I set out what we expect to see by way of disclosures in the forthcoming accounts, drawing on the results of our work.

- Clear explanation of the key judgements made in response to the new reporting requirements;
- Effective communication of the impact on profit and loss, addressing any lack of comparability with the prior year;
- Clear identification of practical expedients used on transition and accounting policy choices; and
- Well explained reconciliation, where necessary, of operating lease commitments under IAS 17, ‘Leases’, the previous standard and lease liabilities under IFRS 16.”

The implementation of IFRS is delayed until 1 April 2020 in the public sector when it will replace IAS 17 Leases and the three interpretations that supported its application. Authorities will need information and processes in place to enable them to comply with the requirements. They will need to make disclosures in the 2019/20 accounts about the impact of IFRS 16 in accordance with IAS 8/ Code 3.3.4.3 requirements for disclosure about standards which are issued but are not yet effective.

Financial Reporting



Challenge question:

Will you have the opportunity to review and comment on your authority’s statement of accounts before they are published at the end of May?

What is the future for local audit?

Paul Dossett, Head of local government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>

Institute for Fiscal Studies – English local government funding: trends and challenges in 2019 and beyond

The Institute for Fiscal Studies (IFS) has found “The 2010s have been a decade of major financial change for English local government. Not only have funding levels – and hence what councils can spend on local services – fallen significantly; major reforms to the funding system have seen an increasing emphasis on using funding to provide financial incentives for development via initiatives such as the Business Rates Retention Scheme (BRRS) and the New Homes Bonus (NHB).”

The IFS goes on to report “Looking ahead, increases in council tax and additional grant funding from central government mean a boost to funding next year – but what about the longer term, especially given plans for further changes to the funding system, including an expansion of the BRRS in 2021–22?”

This report, the first of what we hope will be an annual series of reports providing an up-to-date analysis of local government, does three things in this context. First, it looks in detail at councils’ revenues and spending, focusing on the trends and choices taken over the last decade. Second, it looks at the outlook for local government funding both in the short and longer term. And third, it looks at the impact of the BRRS and NHB on different councils’ funding so far, to see whether there are lessons to guide reforms to these policies.

The report focuses on those revenue sources and spending areas over which county, district and single-tier councils exercise real control. We therefore exclude spending on police, fire and rescue, national park and education services and the revenues specifically for these services. When looking at trends over time, we also exclude spending on and revenues specifically for public health, and make some adjustments to social care spending to make figures more comparable across years. Public health was only devolved to councils in 2013–14, and the way social care spending is organised has also changed, with councils receiving a growing pot of money from the NHS to help fund services.”

The IFS reports a number of key facts and figures, including

- 1) Cuts to funding from central government have led to a 17% fall in councils’ spending on local public services since 2009–10 – equal to 23% or nearly £300 per person.
- 2) Local government has become increasingly reliant on local taxes for revenues.
- 3) Councils’ spending is increasingly focused on social care services – now 57% of all service budgets.

The IFS report is available on their website below:

<https://www.ifs.org.uk/publications/14563>





TO: Audit & Governance Committee

FROM: Policy and Partnerships Manager

DATE: 14th January 2020

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Significant Partnerships Register 2019/20

1. PURPOSE

To provide Members with an update on the Significant Partnerships Register for 2019/20. 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 2019/20 register

3. BACKGROUND

The information held within the Significant Partnerships Register is captured using the Partnership Governance Framework. This document was designed to determine 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 identify 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 a six monthly 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

The Significant Partnerships Register 2019/20 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 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: Mohsin Mulla (ext. 5525)
 Date: 31th December 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.	Paul Lee / 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
	Safeguarding	Local Safeguarding Adult's Board	Lead strategic group for safeguarding vulnerable adults	Paul Lee / Dawn Walmsley	01 April 2010
Chief Executive's	Health	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.	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.	Martin Kelly	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	Martin Kelly	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.	Martin Kelly	2012
		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.	Denise Park / Alison Schmid	Dec-17
Children's Services & Education	Safeguarding	Safeguarding Children Partnership - Blackburn with Darwen, Blackpool and Lancashire (previously known as Local Safeguarding Children's Board).	Strategic Board to co-ordinate safeguarding services and act as a strategic leadership group across the unitary authorities and county.	Paul Lee / Abdul Ghiwala	2019
		Youth Justice Service Strategic Management Board	Provides strategic direction to the Youth Justice Service	Imran Ajuji	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.	Alison Ashworth-Taylor	2014
	Adolescent Services	Strategic Youth Alliance Partnership Board	To provide leadership and a strategic direction for all member youth organisations (local authority, voluntary, charitable, faith & social enterprise sectors) to work in collaboration.	Imran Ajuji	2019

	Social Care	Corporate Parenting Special Advisory Group	To provide strategic leadership across the borough to ensure that all local authority departments and key partner agencies promote and champion their responsibilities as corporate parents to improve outcomes for our cared for children and care leavers.	Jayne Ivory	2019
	SEND	SEND Strategic Partnership Board	The role of the SEND Strategic Partnership Board is to ensure that the responsibilities set out within the SEND reforms are delivered by the local area. As set out in the Children and Families Act 2014, Local Authorities and Health partners must work collaboratively and effectively to secure better outcomes for children and young people aged 0 – 25 with SEND and their families.	Jayne Ivory	2019
Growth & Development	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	Resilience & Emergency Planning	Lancashire Resilience Forum	The function of Lancashire Resilience Forum (LRF) is to create a forum for organisations with a duty to co-operate under the Civil Contingencies Act 2004 to meet within a multi-agency environment to ensure the effective delivery of those duties. This includes maintain and publish agreed risk profiles for Lancashire through a Community Risk Register and develop a strategy to address the risks and other issues and events as they arise. The LRF have a systematic, planned and co-ordinated approach to encourage Category 1 responders, in liaison with Category 2 responders, according to their functions.	Rachel Hutchinson	2004
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
Environment & Operations		CHiL - Cosy Homes in Lancashire	The 'Cosy Homes in Lancashire' (CHiL) scheme is a countywide energy efficiency and affordable warmth initiative. CHiL was developed by the 15 Local Authorities in Lancashire and has the backing of all the Chief Executives and the Directors of Public Health. CHiL covers all Council backed energy saving initiatives in the County and it offers an accessible and straightforward means of accessing grants from energy companies and other sources to fund new heating measures, insulation and renewable technologies in domestic properties.	Muzaffer Dayaji / Denise Andrews	2014
		Trading Standards North West	Established to promote consistency of enforcement across the north west, and to coordinate regional enforcement activity, including tasking of the Regional Investigations Team	Gary Johnston	1995
		Environmental health Lancashire	Promotes consistency of enforcement within the region, identifies emerging threats and training needs.	Denise Andrews	1995
		Pennine Lancashire Night Time Noise Service	Partnership initiative of Blackburn with Darwen, Rossendale, Pendle, Hyndburn and Burnley to provide an out-of hours noise service for the region	John Wood	2000
		Association of Directors of Environment, Economy, Planning & Transport (ADEPT)	ADEPT's primary role is to take the lead in transforming local authorities and through attendance at the Northern Highways Direct Management Group benchmarking information and good practice is shared across all member authorities.	Dwayne Lowe	2003
		Local Council Roads Innovation Group (LCRIG)	Member Councils work in partnership to share their skills, knowledge and experience to enhance their DfT Self-Assessment scores and to learn from each other about new innovative techniques and services introduced by the supply chain.	Dwayne Lowe	2013
		Lancashire Waste Partnership	Comprising of all 15 councils across Lancashire, working to an agreed strategy across the county	Martin Eden / Tony Watson	Established 1998



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 14 January 2020

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: **Audit & Assurance - Progress and Outcomes to 30 November 2019**

1. PURPOSE

To inform Committee Members of the achievements and progress made by Audit & Assurance in the period from 1 October 2019 to 30 November 2019.

2. RECOMMENDATIONS

The Committee is asked to:

- discuss, review and challenge the outcomes achieved to 30 November 2019 against the annual Audit & Assurance Plan, which was approved by Committee on 16 April 2019.

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.

The work completed to date has not identified any significant governance, risk management or control issues to bring to the Committee's attention at this time. However, the Committee should consider the information provided in the following sections regarding the work carried out during the period and the summary of issues in respect of the limited assurance audit noted.

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 the Public Sector Internal Audit Standards (PSIASs).

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

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

areas of responsibility throughout the year.

5. KEY ISSUES

Outcomes achieved in the year to 30 November 2019:

Counter Fraud Activity

National Fraud Initiative

A total of 4,716 data matches were initially received from the Cabinet Office in February as part of the 2018/19 National Fraud Initiative exercise (NFI 2018/19). An initial sift of these matches has been carried out to ensure that follow up action is taken where appropriate. To date, 545 matches have been processed and a further 173 investigations are ongoing. A total of 71 errors have been found to date resulting in savings of £130,900 and arrangements are in place to recover this money from the individuals concerned. The table below illustrates main areas of activity, and where savings have been identified.

A further 636 matches were received in August 2019 following comparisons made with HMRC data. These matches are currently being reviewed by staff within the Revenues & Benefits section.

Summary of Results

Area	No. of Errors	Value (£)
Benefits (Housing/Council Tax Support)	29	£55,298
Private Residential Care Homes	28	£75,602
Resident Parking Permits*	14	-
TOTAL	71	£130,900

* Residents parking permits cancelled & system updated as a result of NFI information

The Council received additional reports from the Cabinet Office in February, March and August 2019, which included 9,005 Council Tax Single Person Discount data matches for further review. The reports were generated after council tax records were matched with various data sets, including the electoral register and HMRC records. The matches indicate that entitlement to Single Person's Discount is incorrect and further enquiries need to be made. The reports have been forwarded to the Revenues section for follow up and further action. To date 47 of these matches have been processed and a further 28 investigations are ongoing. The table below illustrates the results to date on these matches:

Area	No. of Errors	Value (£)
Council Tax Single Person Discount	23	£7,065

Other investigations

Audit & Assurance is continuing to liaise 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. One of these cases is listed for trial at Crown Court in April 2020.

Corporate Governance and Risk

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

The table below summarises the 13 “red” priority areas/issues across the departments, by key themes, identified in the summary Director Exception/Dashboard Report and Assurance Statements for the first half of the year, as at 30 September 2019.

This includes ten red priorities that have remained areas of concern from 31 March 2019, two areas that have been upgraded to red at the half-year (U below) and there is one new area (N below) which is red for the first time. There are also two areas of concern previously identified as red that were downgraded to green in the period (D below).

No	Theme / Description	2019/20 30 th September Half Year	2018/19 31st March Year End
Demand Management			
1	Improve Integrated Discharge Pathways (Adults & Prevention)	Red _(U)	Amber
2	Crime Figures (Adults & Prevention)	Red	Red
3	Contextual Safeguarding – The development of a multi-agency response. (Children’s Services)	Red	Red
4	Fostering and Adoption Placement Sufficiency. (Children’s Services)	Red	Red
5	Social Worker Workload and Capacity (Children’s Services)	Red	Red
	Ofsted’s Inspection Framework Implementation (Children’s Services)	Green _(D)	Red
6	Compliance with GDPR, including Data Subject Access Requests (Digital & Business Change and Children Services)	Red	Red
Budgets & Finance			
7	Adult Social Care Budget Pressures. Increased demand and complexity coupled with increase in commissioning rates. (Adults & Prevention)	Red	Red
8	Potential increase in contract costs for sheltered housing and LD supported living framework (Adults and Prevention)	Red _(U)	Amber
9	Performance against targets for the European Structural & Investment funded project. (Adults & Prevention)	Red	Red
10	Budget and Demand Pressures - Social Work Demand Costs and	Red	Red

	Out of Borough Placements. (Children Services)		
11	School Deficits - Local Authority maintained schools were showing deficit balances on their reserves. (Children Services)	Red _(N)	-
	Budget Pressures - Increased Waste Costs and Parking Oncome. (Environment & Operations)	Green _(D)	Red
Staffing/ HR			
12	Capacity and direction to provide strategic capacity/analysis to SLT and the wider department. (Adults & Prevention)	Red	Red
13	Sickness Absence (Adults & Prevention)	Red	Red

Internal Audit

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

Risk, Control & Governance Reviews	Assurance Opinion		Recommendations Agreed
	Environment	Compliance	
Roe Lee Park Primary School	Substantial	Substantial	9
Avondale Primary School	Adequate	Adequate	12
Adults Client Care Assessment/Case Management and Payments	Adequate	Adequate	6
Budget Setting & Control	Substantial	Substantial	3

In addition to the above audit reviews, Audit & Assurance staff have also carried out the review and challenge of the half year Directors' Dashboard Exception reports and supported the PAM challenges meetings with the Chief Executive and Directors.

Current internal audit reviews

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

- Social Determinants of Health/Public Health Internal Spend;
- Overtime/Additional Hours;
- Adults Client Care System (Mosaic) – Access Controls
- Main Accounting System;
- Information Governance;

- New Section 106 Procedures;
- Pupil Transport;
- Highways Maintenance – Procurement;
- Young Peoples Service – Educational Visits Risk Assessments;
- Sundry Debtors;
- Protocol System – Access Controls;
- Arrangements for the Use of the Contractor & Development Framework;
- ResourceLink Aurora System Access Controls;
- Apprenticeship Levy; and
- Police & Crime Commissioner Grant.

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 2019/20	Q2 2019/20
1. Delivery of Priority 1 Audits (Annual)	100%	N/A	N/A
2. Planned Audits Completed Within Budget	90%	50%	75%
3. Final Reports Issued Within Deadline	90%	100%	100%
4. Follow Ups Undertaken Within Deadline	90%	100%	100%
5. Recommendations Implemented	90%	100%	84%
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 in the period has fallen below the agreed target:

2. Planned Assignments Completed Within Budget

Two of the four audits, (50%), completed in the period were over budget. Additional time was required to complete the two primary school audits as the staff involved included a new member of staff. Extra time was required for familiarisation and training on the areas covered in the audits.

Audit & Assurance Plan 2019/20 – In Year Review

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

Resources – we estimated that Audit & Assurance would have staff resources amounting to 786 days for the delivery of the Audit & Assurance Plan, as reported approved by the Committee on 16 April 2019. This comprised of 677 days for internal audit, 51 days for risk/governance and 58 days for fraud. However, we now anticipated that Audit & Assurance will now only be able to deliver 684 days (584 days for internal audit, 45 days for risk/governance and 55 days for fraud). The shortfall in days has arisen due to a delay in recruiting to the vacant Internal Auditor

post (and associated recruitment activity required in filling this post), additional time required for on the job training of new staff and support for the Insurance team relating to the upgrade of the claims management software.

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 2019/20. 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 2020/21.

6. POLICY IMPLICATIONS

The 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: 3 January 2020

Background Papers: Audit & Assurance Plan 2019/20, approved by the Audit & Governance Committee on 16 April 2019.



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 14 January 2020

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Risk Management – 2019/20 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 2019 to 30 September 2019.

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 2019/20;
- 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

- 3.1 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

- 4.1 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

- 5.1 The Corporate Risk Register contained 21 open risks at 30 September 2019.
- 5.2 The Corporate Risk Register summary is set out in Appendix 1 of this report. The residual risk score for a data loss or privacy incidents any of the risks

identified has reduced since the previous quarter. The risk score has been reduced to medium. After existing controls are applied (technical and organisational), the majority of data breaches are down to human error. The likelihood and impact assessments have been reduced from 4 to 3 as the Council can demonstrate that controls to prevent incidents are continuously monitored, applied at policy level and training is mandatory for all users. The risk associated with the planning and preparation for an exit from the European Union has been re-opened. The risks relating to key areas that may be impacted by this process have been identified and assessed. These are included summary details set out in the appendix.

- 5.3 As at 30 September 2019 the Council's highest corporate risk is the risk of a high profile serious or critical safeguarding case that is known to the Council.
- 5.4 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.
- 5.5 During the year, we have also continued to liaise with colleagues across the Council to identify areas to make use of the risk management support that is available from Zurich Municipal as part of the current long term insurance agreement. Colleagues from Zurich Risk Engineering (ZRE) have recently completed reviews of Lone Working arrangements and Inspection Regimes.
- 5.6 The Lone Working Review was a targeted review of existing procedures, as well as the arrangements for dealing with incidents of violence and aggression. It considered existing policy, procedures and working practices to mitigate lone working risks, with a particular focus on work undertaken by the Children's Social Work Department. It also considered the potential for incidents of violence and aggression within public reception areas at the Town Hall and the use of meeting rooms at this location by third party organisations.
- 5.7 Four risk improvement actions (RIAs) were identified. These were considered necessary to improve procedures to a good standard or to improve claims defensibility. Three related to lone working procedures and monitoring incidents of violence and aggression and one related to procedures for the management of meetings involving third parties and members of the public at the Town Hall. The report findings and recommendations have been discussed, and actions agreed, by the Council's Health & Safety Committee.
- 5.8 The Inspections Regime Review considered the systems in place for the inspection and maintenance of the Council's physical assets that are used or accessed by the public and other third parties. The review considered internal procedures, systems and working practices to assist in managing risks associated with these assets in order to address defects before an incident occurs and better defend liability claims.

5.9 Nine RIAs were identified. Two of these relate to the overall inspection regime and therefore apply across different service areas included in the review. One related to defects noted during site walkovers. A number of RIAs aimed at enhancing inspection arrangements in specific areas were also included. The findings and recommendations will be reported to Management Board for consideration.

5.10 The report noted that, across most of the services sampled, inspections were carried out to some extent. There is a reasonably robust central system for monitoring building maintenance and statutory compliance requirements and the system for reporting and repairing defects appeared to work effectively. Some of the expected elements of an effective inspection regime were missing in certain service areas. ZRE recommended that one person be appointed to co-ordinate action on the RIAs to ensure a consistent approach to improvements, where this was appropriate. A risk-based approach was also encouraged for asset management in general. This would allow resources to be focused on the areas and assets that present the most significant relative risk to third parties.

5.11 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.

6. POLICY IMPLICATIONS

There are no policy implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no direct 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: 3 January 2020

Background Papers: Corporate Risk Management Strategy 2015/2020,
2018/19 Annual Risk Management Report (including
Quarter 4 Review)

Appendix 1

Summary Risk Register



BLACKBURN
with
DARWEN
BOROUGH COUNCIL

Update

Create

Insert

Directorate: _____

Department: Corporate Risk Register

Service: _____

Quarter and Year: Quarter 2 - 2019/20 Date of last review: 30-Jun-19

Date: 30-Sep-19 Date of next review: 31-Dec-19

Risk N	Risk Description	Date Raised	Strength of Existing Controls	Inherent			Residual			Target			Risk Owner(s)	Key Contact(s)	Risk Status	Last Risk Review Date	Previous Residual			Change in Score
				L	I	Risk Rating	L	I	Risk Rating	L	I	Risk Rating					L	I	Risk Rating	
1	Failure to deliver a balanced budget and Medium Term Financial Strategy may result in a Government 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	23-Apr-19	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	Martin Kelly/ Martin Eden	Lee Kinder, Dwayne Lowe	Open	07-Oct-19	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	19-Nov-19	2	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	Denise Park	David Fairclough, Rachel Hutchinson, Sarah Riley	Open	17.04.2019	1	5	LOW	-
7	Ensure delivery of statutory Civil Contingencies function - Business Continuity Management arrangements in place, planning, training testing & validating & exercising 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	Denise Park	David Fairclough, Paul Fleming, Rachel Hutchinson, Sarah Riley	Open	17.04.2019	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	16-Jul-19	3	4	MEDIUM	-
10	Due to the breakdown of community relations or a deterioration of community cohesion, 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	Heather Taylor/Mark Aspin	Open	24-Apr-19	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	Jo Siddle	Open	02-May-19	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	3	3	MEDIUM	2	2	LOW	Paul Fleming	Sarah Critchley	Open	08-Oct-19	4	4	HIGH	Down
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 (DASS) / Jayne Ivory (DCS)	Paul Lee	Open	03-Oct-19	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	30-Apr-19	3	3	MEDIUM	-
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	28-Oct-19	3	4	MEDIUM	-
18	Insufficient budget for service delivery if MTFIS income targets from the Growth Agenda are not met.	29-Nov-16	Good	4	5	HIGH	3	4	MEDIUM	3	4	MEDIUM	Martin Kelly	Simon Jones	Open	15-Oct-19	3	4	MEDIUM	-

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Appendix 1

Risk No	Risk Description	Date Raised	Strength of Existing Controls	Inherent			Residual			Target			Risk Owner(s)	Key Contact(s)	Risk Status	Last Risk Review Date	Previous Residual			Change in Score
				L	I	Risk Rating	L	I	Risk Rating	L	I	Risk Rating					L	I	Risk Rating	
19	EU Exit - Risk of inadequate planning/preparedness at a national & local level for a "no deal" exit from the EU arrangements on the 29.03/12.04/31.10.19	05.02.2019	Good	3	1	LOW	3	1	LOW	3	1	LOW	Martin Kelly (Brexit Lead Officer)	David Fairclough Rachel Hutchinson, Adam Patel	Open	17.04.2019	3	1	LOW	-
19b	Food - Consumer behaviour leading to retailers running short of products	13-Sep-19	Good	3	4	MEDIUM	3	4	MEDIUM	3	4	MEDIUM	Martin Kelly (Brexit Lead Officer) & Martin Eden	Gary Johnston	Open	15-Oct-19				-
19c	Immigration, borders and EU students	13-Sep-19	Good	3	3	MEDIUM	3	3	MEDIUM	3	3	MEDIUM	Martin Kelly (Brexit Lead Officer)	Martin Kelly	Open	15-Oct-19				-
19d	Pharmaceutical Services: Essential medicines in short supply	13-Sep-19	Good	3	3	MEDIUM	3	3	MEDIUM	3	3	MEDIUM	Martin Kelly (Brexit Lead Officer) & Prof Dominic Harrison	Dr Gifford Kerr	Open	15-Oct-19				-
19e	Import / Export & Businesses	13-Sep-19	Good	3	4	MEDIUM	3	4	MEDIUM	3	4	MEDIUM	Martin Kelly (Brexit Lead Officer)	Martin Kelly	Open	15-Oct-19				-
19f	Housing Market	13-Sep-19	Good	3	4	MEDIUM	3	4	MEDIUM	3	4	MEDIUM	Martin Kelly (Brexit Lead Officer)	Martin Kelly	Open	15-Oct-19				-
19g	Transportation - ports and motorway delays	13-Sep-19	Good	3	4	MEDIUM	3	4	MEDIUM	3	4	MEDIUM	Martin Kelly (Brexit Lead Officer)	Martin Kelly	Open	15-Oct-19				-
19h	Data protection	18-Sep-19	Good	3	3	MEDIUM	2	2	LOW	1	1	LOW	Martin Kelly (Brexit Lead Officer) & Paul Fleming	Sarah Critchley	Open	10-Oct-19				-

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The following corporate risks are closed:

Risk 3: IT Infrastructure (Resilience) – Old Town Hall.

Risk 5: The risk that governance and decision-making arrangements fail.

Risk 6: Failure to deliver the management, workforce and organisational objectives for workforce reviews within the agreed budget.

Risk 8: Failure to contribute effectively to economic growth within Blackburn with Darwen.

Risk 12: The Council does not effectively capitalise on potential opportunities to improve housing quality or build more houses in the Borough to maximise the income available from the new homes bonus and increased council tax.

Risk 16: Failure to deliver a robust Medium Term Financial Strategy (MTFS) with adequate reserves to meet unforeseen circumstances and with the resource capacity to deliver statutory services.



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 14 January 2020

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Annual Governance Statement (AGS) – Progress of 2018/19 Actions and 2019/20 Approach/Timetable

1. PURPOSE

To inform Members on progress of the actions taken to address the significant governance issues identified in the 2018/19 AGS and the planned approach and timetable for producing the 2019/20 Statement.

2. RECOMMENDATIONS

The Committee is asked to:

- review the progress made to address the significant actions identified in the 2018/19 AGS; and
- note the approach/timetable for producing the 2019/20 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 that 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, along

with an explanation of actions taken in the year to address the significant governance issues identified in the previous year's statement.

Actions from 2018/18 AGS

The following significant issues were noted in the 2018/19 AGS:

- Children's Services Financial Position - action brought forward from 2017/18); and
- Compliance with the General Data Protection Regulation (GDPR) - 2018/19 action).

Details of the progress made to 30 November for each of these areas is provided in Appendix 1. These show that appropriate steps have been taken by senior officers and managers in respect of the issues identified. However, the strategies taken in Children's Services to address the issue in this area will take time to affect real change and it is forecast that the Portfolio budget will overspend at 31 March 2020. The progress made regarding the action to address GDPR compliance is largely in accordance with the plan. The issue was still assessed as red in the half-year Digital & Business Change Director's Half-year Management Accountabilities Framework (MAF) Dashboard Report. The impact of the actions on this area will not be able to be assessed until the end of Quarter 3.

Approach for 2019/20

The MAF process provides ongoing assurance on the effectiveness of the Council's governance framework. Each director provides an update with regard to their departmental/operational plan priorities through their half-yearly "Directors Exception/Dashboard Report and Assurance Statement". These include confirmation of the effective operation of sound systems of internal controls, risk management and governance arrangements within their department and highlight any exceptions and actions required to address these. These reports, combined with the Chief Executive's Programme Area Meetings (PAM), provide appropriate challenge to the process, with significant "red" issues identified 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 annual assurance statements from each Director 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 to support the AGS. 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 2019/20 AGS Completion and Related Processes

Deadline	Action
9 March 2020	Circulation of director annual statement of assurance templates.
10 March	Completion and return of Year-end MAF Directors

2020	Exception/Dashboard reports.
27 April 2020	Receipt of signed director annual statements of assurance. Receipt and collation of annual governance core principle evidence.
4 May 2020	Year-end MAF PAM challenges.
13 May 2020	Year-end MAF significant “red” issues reported to Management Board.
1 June 2020	AGS evidence and statements considered by Primary Assurance Group (PAG).
10 June 2020	Production of draft AGS by PAG for consideration by Management Board.
23 June 2020	Year-end MAF significant “red” issues reported to Audit & Governance Committee. Approval of AGS by Audit & Governance Committee.
28 June 2020	AGS signed by Chief Executive and Leader of the Council.
31 July 2020	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 health implications arising from this AGS process.

11. CONSULTATIONS

Directors of Finance & Customer Services, HR, Legal & Governance, Digital & Business Change and Children’s Services.

Contact Officer: Colin Ferguson, Head of Audit & Assurance – Ext: 5326
Date: 03 January 2020
Background Papers: 2018/19 AGS approved by Audit & Governance Committee on 25 June 2019.

Annual Governance Statement: Progress on Addressing 2018/19 Significant Issues

Issue	2018/19 Issue/Actions to be taken	Responsible officer(s)	Half Year Progress Update – November 2019
<p>1. Children’s Services Financial Position</p>	<p>Whilst the financial pressures are on-going actions were put in place in 2018/19 to mitigate these. The Children’s Services budget position continues to face demand pressures in 2019/20 due to an increase in the volume of work being referred to the Social Work Service and sustained pressure on the out of borough budget due to the number of placements and complexity of needs. The number of social workers with higher than the recommended caseload is also a concern. These issues have led to a need for an increase in social workers to manage demand.</p> <p>The new Director of Children’s Services is reviewing caseloads and demand management strategies and an action plan has been developed and reviews of services provided are ongoing to mitigate against demand and financial cost pressures, as far as possible.</p>	<p>Director of Children’s Services</p>	<p>In the financial year 2018/2019 Children’s Services faced increasing demand pressures and as a result the portfolio reported a final overspend.</p> <p>During 2019/2020 these demand pressures have continued and the current projected position has increased from the 2018/19 outturn. Whilst the anticipated overspend includes a number of extensions of externally commissioned placements it does not factor in potential increases in demand during the remainder of the year, nor does it include any further potential extensions to placements. If current placements were to be extended to the end of the year then an additional £732k would be incurred.</p> <p>The Portfolio continues to mitigate demand pressures as far as possible and is utilising underspends on other areas of activity to offset placement pressures where possible. These areas of underspend are included in the forecasts detailed above. The portfolio has implemented a new Duty and Advice (CADS) service to manage the “front door” and assessment activity</p>

APPENDIX 1

Issue	2018/19 Issue/Actions to be taken	Responsible officer(s)	Half Year Progress Update – November 2019
			<p>more effectively. This alternative model is in its infancy but is beginning to show a positive impact. The portfolio continue to explore options to re-focus, and build capacity, in our more cost-effective ‘in-house’ services. However, these strategies will take time to implement in order to affect real change and before we see fewer numbers of ‘looked after’ children and a resultant reduction in the cost pressures. Therefore, it is unlikely that the portfolio will be able to contain the commissioned placements pressures in this year.</p>
<p>2. Compliance with GDPR</p>	<p>The Council has not achieved compliance with the minimum requirements of the General Data Protection Regulations 2016 for subject access requests due to the nature of the requests and limited resources available for this area. This has led to a significant backlog of requests. The number of complaints received by the Council relating to this area has increased and cases have been referred to the Information Commissioner’s Office.</p> <p>The risks of further referrals may cause the ICO to undertake a mandatory inspection of our processes which in turn could lead to enforcement action.</p> <p>There are plans in place to ensure the</p>	<p>Director of Digital and Business Change/ Director of Children’s Services.</p>	<p>Approval was received to recruit an Information Governance Analyst to support the work with funding for a 12-month period. Securing funding beyond this period is still to be confirmed to be able to fully address the backlog and maintain compliance. The vacancy has been filled on a secondment basis with the start date of 2 December 2019.</p> <p>Support has been received to address the backlog from the corporate Information Governance Team when their workload allows and this is ongoing.</p> <p>A requirement to digitise information to</p>

APPENDIX 1

Issue	2018/19 Issue/Actions to be taken	Responsible officer(s)	Half Year Progress Update – November 2019
	necessary resource is provided to deal with the backlog and the demand moving forward. These plans include a request for additional resource.		create a single child record has been identified during work carried out by an IT Business Analysts. This requirement has also been fed into the digital roadmap planning.



TO: Audit & Governance Committee

FROM: Head of Audit & Assurance

DATE: 14 January 2020

PORTFOLIOS AFFECTED: All

WARDS AFFECTED: All

TITLE OF REPORT: Audit & Governance Committee – Effectiveness Self - 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 appropriate evidence to confirm the Committee's effectiveness:

- the Audit & Governance Committee's position when compared to the CIPFA good practice checklist (Appendix 1) and the additional actions noted;
- 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 Committee 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 2018 CIPFA published its document, 'Audit Committees: Practical Guidance for Local Authorities and Police 2018'. This replaced the previous 2013 Position Statement. The main changes are highlighted in bold in this report. The guidance includes the two checklists provided at

appendices 1 and 2 to this report. These checklists include 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 Guidance highlights that there have been a number of significant developments in governance and audit practice since 2013 that have emphasised the importance of the audit committee. Key developments include:

- the new Delivering Good Governance in Local Government Framework (CIPFA/Solace, 2016);
- updates to the Public Sector Internal Audit Standards in 2016 and 2017; and
- the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

3.4 The Position Statement emphasises the importance of audit committees being in place in all principal local authorities and police bodies. It notes the purpose of Audit Committees as follows:

- Audit committees are a key component of an Authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management; and
- The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

3.5 The Position Statement sets out the core functions of an audit committee along with possible wider functions that a committee can undertake. It notes that organisations should adopt a model that establishes the committee as independent and effective and advises that the Committee should:

- act as the principal non-executive, advisory function supporting those charged with governance;
- in local authorities, be independent of both the executive and the scrutiny functions **and include an independent member where not already required to do so by legislation;**
- have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups; and
- be **directly** accountable to the Authority's governing body (Full Council).

3.6 The Position Statement notes the role of the CFO and that officer's overarching responsibility for discharging the requirement for sound financial management. The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) emphasises the importance of having an

effective audit committee to support the CFO. The CFO in a local authority must lead the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively. The Position Statement also notes that an essential role for the audit committee is to oversee Internal Audit, helping to ensure that it is adequate and effective. Both these elements are also set out in the Public Sector Internal Audit Standards (PSIAS) and the supporting Local Government Application Note (LGAN).

3.7 The Guidance sets out the core functions of the audit committee and includes a model terms of reference for the committee. The core functions include the following areas:

- **Good governance and the Annual Governance Statement** – be satisfied that the Authority’s assurance statements, including the Annual Governance Statement (AGS), properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the Authority’s objectives. **Support initiatives to identify and evaluate key areas of assurance.**
- **Internal Audit** - oversee its independence, objectivity, performance and professionalism; support the effectiveness of the Internal Audit process and promote the effective use of Internal Audit within the assurance framework in the following ways:
 - receive confirmation of the organisational independence of the Internal Audit activity;
 - approve and periodically review any safeguards put in place to limit impairments to independence and objectivity where the Head of Internal Audit has been asked to undertake any additional roles/responsibilities outside of internal auditing;
 - receiving communications from the Head of Internal Audit on Internal Audit’s performance relative to its plan and other matters; and
 - giving approval to Internal Audit for any significant additional consulting services not already included in the audit plan, prior to Internal Audit accepting an engagement.
- **Risk management** - consider the effectiveness of the Authority’s risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations.
- **Control environment** - monitor the effectiveness, including arrangements for ensuring value for money, **supporting standards and ethics** and for managing the Authority’s exposure to the risks of fraud and corruption.
- **External Audit** - consider the reports and recommendations of External Audit and inspection agencies and their implications for governance, risk management or control. The guidance includes advice around appointment of auditors following the change in

appointment procedures for English authorities with the closure of the Audit Commission and the introduction of new local audit arrangements under the Local Audit and Accountability Act 2014.

The audit committee's role in relation to the external audit process has three principal aspects:

- providing assurance that the external auditor team maintains independence following its appointment (examples of threats noted on Page 21 of the Position Statement);
- receiving and considering the work of external audit; and
- supporting the quality and effectiveness of the external audit process.

The audit committee should seek information from the external auditor on its policies and processes for maintaining independence and monitoring compliance. It should also satisfy itself that no issues with compliance with the ethical standard have been raised by the contract monitoring undertaken by PSAA (the new appointing body) or the auditor panel (in England) or from audit quality reviews by the Financial Reporting Council. With regard to non-audit services, audit committees should monitor the approval of non-audit work and, in England, take into account the oversight of either PSAA or the auditor panel as appropriate.

- **Effective relationships** - support the relationships between external audit and Internal Audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- **Financial statements** - review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit. ***The guidance highlights the revised reporting timetable and includes:*** Understanding Local Authority Financial Statements (CIPFA/LASAAC, 2016) which includes a checklist of questions to ask about a local authority's statements that audit committee members may find particularly helpful. In keeping with its role as an advisory body, the audit committee should review the financial statements prior to approval. (Page 23 of the Position Statement)
- **Partnership governance and collaboration agreements** – where an organisation of which the Authority is a partner does not have its own audit committee, then the audit committee could be nominated to undertake this role. This is most likely to be the audit committee of the accountable body in order to support the CFO (Page 24 of the Position Statement).

New Core Function Area – Governance and Ethical Values (Page 24 of the Position Statement)

- 3.8 Public sector entities are accountable not only for how much they spend but also for the ways they use the resources with which they have been entrusted. This is at the heart of Principle A of the Framework: *“Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.”* With its core role in supporting good

governance, support for the ethical framework of the authority is also important for the audit committee. In addition, public sector organisations have an overarching mission to serve the public interest in adhering to the requirements of legislation and government policies. This makes it essential that the entire entity can demonstrate the integrity of all its actions and has mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels. As part of its review of governance arrangements, the audit committee should be satisfied that there are adequate arrangements to achieve this.

- 3.9 All authorities should have regard to the Seven Principles of Public Life, known as the Nolan Principles. To promote high standards of conduct, the Committee on Standards in Public Life has recommended that: Ethical standards issues should be included as regular items on board agendas or formally delegated to audit and risk committees for referral to the board as appropriate. Risks associated with poor standards should be included in risk assessments, and, where appropriate, risk registers. Mitigating strategies should be developed and monitored. As part of the annual governance review, the audit committee should consider how effectively the Seven Principles of Public Life are supported.
- 3.10 Whistleblowing arrangements support the development of ethical conduct and greater transparency, and also help authorities ensure compliance with the Public Interest Disclosure Act 1998. As part of the audit committee's oversight of the governance framework and assurances underpinning the AGS, the audit committee may wish to review the effectiveness of the whistleblowing arrangements.
- 3.11 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 exploring and considering other areas for assessing effectiveness compared to the more technical areas identified by CIPFA. Individual Committee member have answered these questions.
- 3.12 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. This also includes a comparison with the results from the 2017/18 and 2018/19 scores. The overall results show that there is a belief by the members that the Committee is operating effectively, with average scores of satisfactory/partly agree or better for most questions.

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 CIPFA's guidance sets out its view of the Audit Committees in relation to governance, risk management and internal control. CIPFA's Good Practice Checklist, which was appended to the Guidance, is an updated version of the Checklist included in the 2013 Guidance. The Head of Audit & Assurance has completed this on behalf of the Committee. This shows that the Council's Audit & Governance Committee arrangements are largely compliant with the recommended guidance. The only areas where full compliance cannot be provided is:

- Question 7: The Committee's current terms of reference does not include reference to the ethical framework.
- 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 is presented to Full Council. This presents an opportunity to obtain feedback from Councillor colleagues at least annually.

5.2 The evaluation of effectiveness document (Appendix 2) has been completed by the Head of Audit & Assurance. The previous version was appended to the Audit & Governance Committee's annual report considered by this Committee on 25 June 2019. 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: 3 January 2020

Background Papers: Audit & Governance Committee – Effectiveness
Assessment, reported to Audit Committee on 15
January 2019
Audit Committee – Annual Report, reported to Audit
& Governance Committee on 25 June 2019

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
<i>Audit Committee purpose and governance</i>					
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?	√			
<i>Functions of the committee</i>					
7	<p>Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?</p> <ul style="list-style-type: none"> ▪ good governance. ▪ assurance framework. including partnerships and collaboration arrangements, ▪ internal audit. ▪ external audit. ▪ financial reporting. ▪ risk management. ▪ value for money or best value. ▪ counter-fraud and corruption. ▪ supporting the ethical framework 		√		To include consideration of the ethical framework in the committee's terms of reference.
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?	√			
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?	√			

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
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: <ul style="list-style-type: none"> ▪ separation from the executive. ▪ an appropriate mix of knowledge and skills among the membership. ▪ a size of committee that is not unwieldy. ▪ consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement). 	√			
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the Full council or as appropriate for the organisation?				Not applicable.
14	Does the chair of the committee have appropriate knowledge and skills?	√			
15	Are arrangements in place to support the committee with briefings and training?	√			Consider shorter more focussed meetings and prior up front information.
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	√			
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	√			
18	Is adequate secretariat and administrative support to the committee provided?	√			
Effectiveness of the committee					
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			√	No formal feedback but Committee members may receive feedback from member colleagues at Group meetings or on other occasions. The Committee's Annual Report is presented to Full Council. Consider including

REF	GOOD PRACTICE QUESTIONS	YES	PARTIAL	NO	ACTION REQUIRED
					meeting minutes for the relevant year as well.
20	Are meetings effective with a good level of discussion and engagement from all the members?	√			
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	√			
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	√			
23	Has the committee evaluated whether and how it is adding value to the organisation?	√			
24	Does the committee have an action plan to improve any areas of weakness?	√			
25	Does the committee publish an annual report to account for its performance and explain its work?	√			

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.	<p>Supporting the development of a local code of corporate governance.</p> <p>Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it.</p> <p>Working with key members to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting reviews/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships.</p>	<p>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.</p> <p>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.</p> <p>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.</p>	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.	<p>Actively monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>	<p>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.</p> <p>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.</p> <p>The Committee reviews the summary of Management Accountability Framework (MAF) red priority areas of concern.</p> <p>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.</p>	5
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<p>Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking.</p> <p>Monitoring improvements.</p> <p>Holding risk owners to account for major/strategic risks.</p>	<p>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.</p> <p>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</p>	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
		<p>management support activity during the year, including the details of the risk management support provided by Zurich Municipal.</p> <p>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.</p>	
<p>Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.</p>	<p>Specifying its assurance needs, identifying gaps or overlaps in assurance.</p> <p>Seeking to streamline assurance gathering and reporting.</p> <p>Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.</p>	<p>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.</p> <p>IA reviewed and provided assurance on risk management arrangements in 2015/16.</p>	4
<p>Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.</p>	<p>Reviewing the internal audit charter and functional reporting arrangements.</p> <p>Assessing the effectiveness of internal audit arrangements providing constructive challenge and supporting improvements.</p> <p>Actively supporting the quality assurance and improvement.</p>	<p>The Head of Audit & Assurance has right of access to and regular briefings for the Chair of the Audit & Governance Committee.</p> <p>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.</p> <p>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</p>	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
		Standards and received the overall opinion and a summary of the findings and themes from the Peer review action plan at its April meeting 2016.	
<p>Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.</p>	<p>Reviewing how the governance arrangements support the achievement of sustainable outcomes</p> <p>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</p> <p>Reviewing the effectiveness of performance management arrangements.</p>	<p>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 from Directors.</p> <p>Internal audit progress reports include a summary of MAF red priority areas of concern.</p> <p>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.</p> <p>Internal audit consider performance arrangements as part of any relevant audit and would report on them as part of our progress reporting arrangements.</p> <p>The IA plan also includes specific Key Performance Indicator audits.</p>	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.	<p>Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee.</p> <p>Considering how performance in value for money is evaluated as part of the AGS.</p>	<p>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.</p>	4
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<p>Reviewing arrangements against the standards set out in Code of Practice on managing the Risk of Fraud (CIPFA 2014).</p> <p>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</p> <p>Assessing the effectiveness of ethical governance arrangements for both staff and members.</p>	<p>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.</p> <p>The Internal Audit progress reports include oversight of counter fraud activity and results.</p> <p>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.</p> <p>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:</p>	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
<p>Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.</p> <p style="text-align: center;">Page 71</p>	<p>Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English.</p> <p>Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging greater transparency.</p> <p>Publishing and annual report from the committee.</p>	<p>Audit & Governance Committee meetings are held in public with minimal Part 2 items. Agendas and reports are published on Council internet website.</p> <p>An Annual Audit Committee report is prepared and considered by full Council.</p> <p>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 annually.</p>	<p style="text-align: center;">4</p>

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	2019/20 Average	2018/19 Average	2017/18 Average	Difference between 2019/20 and 2018/19 averages
1 Members with appropriate skills and experience The A&G Committee should comprise members with an appropriate mix of skills and experience, including some relevant financial experience.	3.7	3.2	3.8	0.5
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	3.7	3.7	3.8	0.0
3 Structured and appropriate annual agenda There is a structured annual agenda of matters to be covered, with focus on the right areas.	4.0	3.5	3.8	0.5
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.	4.0	3.2	3.5	0.8
5 Concise, relevant and timely information The A&G Committee papers are concise, relevant and permit timely resolution of the issues raised	3.7	2.8	3.0	0.9
6 The right people are invited to attend and present at meetings Senior officers and others are asked to present on issues as appropriate.	4.0	3.2	3.8	0.8
7 Attendance and contribution to meetings All A&G Committee members attend and actively contribute at meetings	2.7	2.6	3.3	0.1
8 Sufficient time and commitment to undertake responsibilities As an A&G Committee member I have sufficient time and commitment to fulfil my responsibilities	4.0	2.5	3.5	1.5
9 On-going personal development A&G Committee members have access to on-going development activities to update their skills and knowledge.	4.0	3.2	3.8	0.8
10 Understanding the Council's business The A&G Committee has a good understanding of the different risks inherent in the council's business activities.	3.3	3.0	3.3	0.3
11 Focus on appropriate areas The A&G Committee focuses on the right questions and is effective in avoiding minutia	3.7	3.2	3.2	0.5
12 Understanding of how assurance is gained The A&G Committee understands the relationship between the various sources of assurance available to it.	3.3	3.3	3.2	0.0
13 Quality of interaction with external audit The A&G Committee actively engages with the external auditors regarding the scope of their work and audit findings.	3.7	3.2	3.2	0.5
14 Quality of interaction with internal audit The A&G Committee demonstrates an appropriate degree of involvement in the work of internal audit and its findings.	4.0	3.0	3.3	1.0
15 Frank, open working relationship with senior officers A&G Committee members have a frank and open relationship with senior officers, whilst avoiding the temptation to act as officers.	4.0	3.0	3.7	1.0
16 Open channels of communication The A&G Committee has open channels of communication with officers and other members to keep it aware of topical/regulatory issues.	4.0	3.0	3.5	1.0
17 Rigour of debate A&G Committee meetings encourage a high quality of debate with robust and probing discussions.	3.7	2.8	3.5	0.9
18 Reaction to bad news				

The A&G Committee responds positively and constructively to bad news to encourage future transparency.	3.3	3.0	3.0	0.3
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".	3.7	2.6	3.3	1.1
20 Quality of chairmanship				
The Chair promotes effective and efficient meetings	3.3	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?				
<i>Via sufficient measures and controls that mitigate our risk and via ongoing passing of Audit.</i>				
<i>If nothing else people in authority know that any decision being made will be looked at by the A&G Good Ext Audit report.</i>				
Progress of audits & reports.				
22 How do we know what impact we are having?				
<i>It is clear in the reports and challenge given to data and the good results the Council produces. VMcG</i>				
<i>If we are having a positive impact, we should see less over expenditure and see portfolio holders think more about where our money is going/being allocated.</i>				
<i>Feedback of audit recommendations.</i>				
23 What do we do well as a committee?				
<i>Challenge and have open debate.</i>				
<i>Try to understand the positions that decision makers are in and budget restraints.</i>				
<i>Read and take up issues, if any.</i>				
24 What could we do differently or better as a Committee?				
<i>More members could read and try to understand the detail</i>				

BRIEFING PAPER



REPORT to : Audit and Governance Committee

LEAD OFFICER: Director of Finance and Customer Services

DATE: 14th January 2020

WARD/S AFFECTED: All

TREASURY MANAGEMENT REPORT – 2019/20

Based on monitoring information for the period 1st September – 30th November 2019

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 2020/21, appended to this report.

3. BACKGROUND

3.1 The Treasury Management Strategy for 2019/20, approved at Executive Board in March 2019, complies with 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

4.1 Bank of England Bank Rate

The Bank of England's Bank Rate held steady at 0.75%, having increased in August 2018.

4.2 Investments Made and Interest Earned

The graph in Appendix 1 shows the weekly movement in the totals available for investment, both

actuals to date and projections for the rest of the year (adjusted for anticipated borrowing). These balances have fluctuated across the period, but have ranged around £20M. It is intended that these will reduce further in future in the range of £10 M and £20 M.

Investments made in the period were mainly in “liquid” (instant access) deposits, either bank “call accounts” or Money Market Funds (MMFs). During the period, the Council has opened additional MMFs with the aim of achieving slightly higher returns on investments in such funds and mitigating risk. The Council is now spreading its holdings more broadly across all MMFs available to manage risk. The new MMFs opened are UK domiciled, which should help reduce the liquidity risk in the event of a no deal Brexit. Returns on such MMFs holdings had increased a little by the end of the period, to around 0.68%. Bank account rates vary, paying between 0.20% and 0.5%.

During the period the Council opened a 32 day notice account and deposited £3M earning interest at 0.90%.

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
24-Oct-19	18-Feb-20	Thurrock Council	£3,000,000	0.75%

At 30th November, the Council had approximately £16.0 M invested, compared to £18.0 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 0.66%.

For comparison, benchmark LIBID (London Interbank Bid) rates were

- (a) 1 month lending - stable at around 0.6%
- (b) 3 month lending - increasing a little over the period, averaging 0.66% and ending at 0.67%

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. These rates saw a 1% increase in October, to an average rate of 2.7%, as the Government increased the margin it charges over its own borrowing costs, now making it a relatively expensive borrowing option.

The cost of short term borrowing, based on loans from other councils, continued to fall slightly over the period. By the end of the period, loans from 3 months out to a year were priced between 0.75% to 1.0%.

The Council is currently using short term borrowing, but should we need to borrow over the longer term this may be more expensive. It is uncertain as to how the long term borrowing market will develop, but should the need arise, we will review the options available.

Though the medium term trend in interest rates has been, and is expected to continue, slowly upwards, it is expected that rates will remain constant in the coming months.

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. 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 £5M, as loans of £17M were repaid and £22M of new loans were taken (listed below).

New loans taken in the period				
Start Date	End Date	Counterparty	Amount £	Rate
27/09/2019	29/06/2020	Fylde Borough Council	2,000,000	0.73%
30/09/2019	30/03/2020	Tendring District Council	4,000,000	0.74%
31/10/2019	31/01/2020	Erewash Borough Council	1,000,000	0.65%
31/10/2019	30/04/2020	Gwent Police Authority	5,000,000	0.75%
31/10/2019	30/04/2020	Vale of Glamorgan Council	2,000,000	0.75%
12/11/2019	12/05/2020	Tendring District Council	1,000,000	0.74%
26/11/2019	26/05/2020	West Yorkshire Combined Authority	7,000,000	0.78%
			22,000,000	

Future deals already agreed by end of period				
Start Date	End Date	Counterparty	Amount £	Rate
06/01/2020	04/01/2021	Workingham Borough Council	5,000,000	0.95%
30/01/2020	30/07/2020	Tendring District Council	1,000,000	0.80%
19/02/2020	17/02/2021	East Suffolk Council	5,000,000	0.95%
28/02/2020	26/02/2021	Gwent Police Authority	5,000,000	1.00%
			10,000,000	

4.5 Current debt outstanding -

	31 st Aug 2019		30 th Nov 2019	
	£000	£000	£000	£000
TEMPORARY DEBT				
Less than 3 months	10,000		6,000	
Greater than 3 months (full duration)	<u>27,000</u>		<u>36,000</u>	
		37,000		42,000
LONGER TERM DEBT				
Bonds	18,000		18,000	
PWLB	135,885		133,768	
Stock & Other Minor Loans	<u>263</u>		<u>263</u>	
		154,148		152,031
Lancashire County Council transferred debt		14,738		14,443
Recognition of Debt re PFI Arrangements		<u>64,844</u>		<u>63,986</u>
TOTAL DEBT		270,301		272,460

Less: Temporary Lending - fixed term	(1,000)	(3,000)
- instant access	(17,029)	(13,148)

NET DEBT	252,272	256,312
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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) £133.8M 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 1.7% 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.

4.6 Refinancing of Building Schools for the Future (BSF) – Private Finance Initiative (PFI) Phase 2

Most PFI contracts contain standard provisions stating that if the debt used to finance the initial construction phase of a project can be refinanced at a lower cost, then the benefit (after transaction costs, advisory fees and disbursements) is split between the Council and the PFI Contractor. In these arrangements, the debt to be refinanced is often referred to as Senior Debt and the providers of it are known as Senior Funders.

The interest rate charged to the PFI Contractor broadly comprises two elements:

- The underlying interest (swap) rate;
- A profit margin charged by the Senior Funder.

Refinancing opportunities generally exist where the market rate for the profit margin element falls below that currently charged by the incumbent Senior Funder. However, any refinancing exercise attracts significant early redemption penalties as well as legal and advisory fees. The reduction in margins must therefore be significant enough to offset these costs.

It is common for this debt to be refinanced sometime after the completion of construction because the risks involved in the project generally reduce at this point which means that the initial loans can be replaced by loans at a lower rate of interest.

The Council was approached by the PFI Contractor in 2017 to work with them to refinance the two PFI schemes because of the historically low level of interest rates that have prevailed for the past few years.

Based upon their preliminary work, the PFI contractors advised the Council that the terms being offered by prospective funders would result in a net gain which would provide the Council with the following benefits;

- A share of the gain attributable to the Council as granting authority, as defined by sharing provisions in the initial Project Agreement in 2010, with any benefit from the refinancing to be

split between the Council and the Project Company on the basis agreed at the time of the original PFI contract

- As the Council is also a shareholder in the Project Company (directly owning 9% of the shares in the Holding Company, and also 5% in the Local Education Partnership (LEP) who in turn own 10% of the shares in the Holding Company), the Council would receive 9.5% of the benefit identified above as accruing to the Project Company.

Further to the Executive Board report in July 2017, and following the success of the refinancing of the Phase 1 Scheme (Pleckgate High School) in February 2019, the Council has worked with the PFI contractor and successfully concluded the Phase 2 Scheme (Witton Park High School and Blackburn Central High School with Crosshill) on 21st November 2019.

The refinancing of the Phase 2 Scheme has resulted in a financial benefit for the Council comprising;

- Share of gain to the Council as granting authority £847,000
- Share of gain to the Council as shareholder in the Project Company £124,000

TOTAL £971,000

These gains are stated after deduction of the costs for all financial and legal advisers engaged on the project, including those who were appointed to support the Council.

4.7 Payment of Employer Pension Contributions to the Lancashire Local Government Pension Fund

As an employer, the Council makes pension contributions to the pension fund that are based on amounts set by actuarial advice and notified by the Lancashire Local Government Pension Fund. The contributions we make consist of two elements;

- a current service payment which is a percentage rate applied to the salary costs of all employees who are currently in the scheme and
- a lump sum payment made as a contribution to the Council's share of the pension fund deficit; this payment is intended to eliminate the deficit over a number of years.

Employer contribution rates are set following a triennial valuation of the pension fund and apply for three years. The new rates, following the 2019 valuation, will commence from 1st April 2020. The pension fund has outlined a range of potential payment options for employers to consider including the following:

- a) monthly payments of both elements in each of the three years;
- b) a lump sum payment in April 2020, April 2021 and April 2022 of one or both elements for that year;
- c) a lump sum prepayment in April 2020 of both elements for all three years;

The amounts involved are substantial but the flexible options offered by the Pension Fund do merit consideration as the Fund provides a discount on the prepayment resulting in a saving on the total amount that is to be paid over the following 3 years; this advance payment of contributions enables the Fund to invest and generate additional returns, whilst for the Council, the savings achieved from the discount is still greater than the costs of the borrowing made to facilitate the prepayment, given the low prevailing rates of interest.

The Council took the option to prepay the costs of the Pension Fund Deficit element in 2017 and so consideration will now be given to the options available as part of the current Budget Setting process with the resulting recommendations presented to Finance Council in February 2020 for consideration.

4.8 Performance against Prudential and Treasury Indicators

Appendix 3 shows the current position against the Prudential and Treasury Indicators set by the Council for the current year.

With regard to the movement in the key indicator, **Total Borrowing against the Authorised Borrowing Limit**, this is shown as the first graph in Appendix 4. Total borrowing at 30th November 2019 was £272.5M, which is below both our Operational Boundary (£326.1M) and our Authorised Borrowing Limit (£336.1M) for 2019/20.

This year we have remained within both our Operational Boundary – which is set for management guidance - and the (higher) Authorised Borrowing Limit. The Authorised 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 4) ended the period at £38.9M, against the **limit** set for this year of £102.8M.

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 £139.0M, against the **limit** of £233.9M. 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. There are still significant levels of short term debt.

4.8 Treasury Management Strategy for 2020/21

The Council’s proposed Treasury Management Strategy and Treasury Management Indicators for 2020/21 will be submitted to Executive Board in February 2020.

The content of the strategy remains largely similar to the previous year, taking into account the amendments made during the 2019/20 Treasury Management Strategy Mid-Year Review, approved by Executive Board on 14th November 2019.

Details of the proposed draft strategy are included in Appendix 6.

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

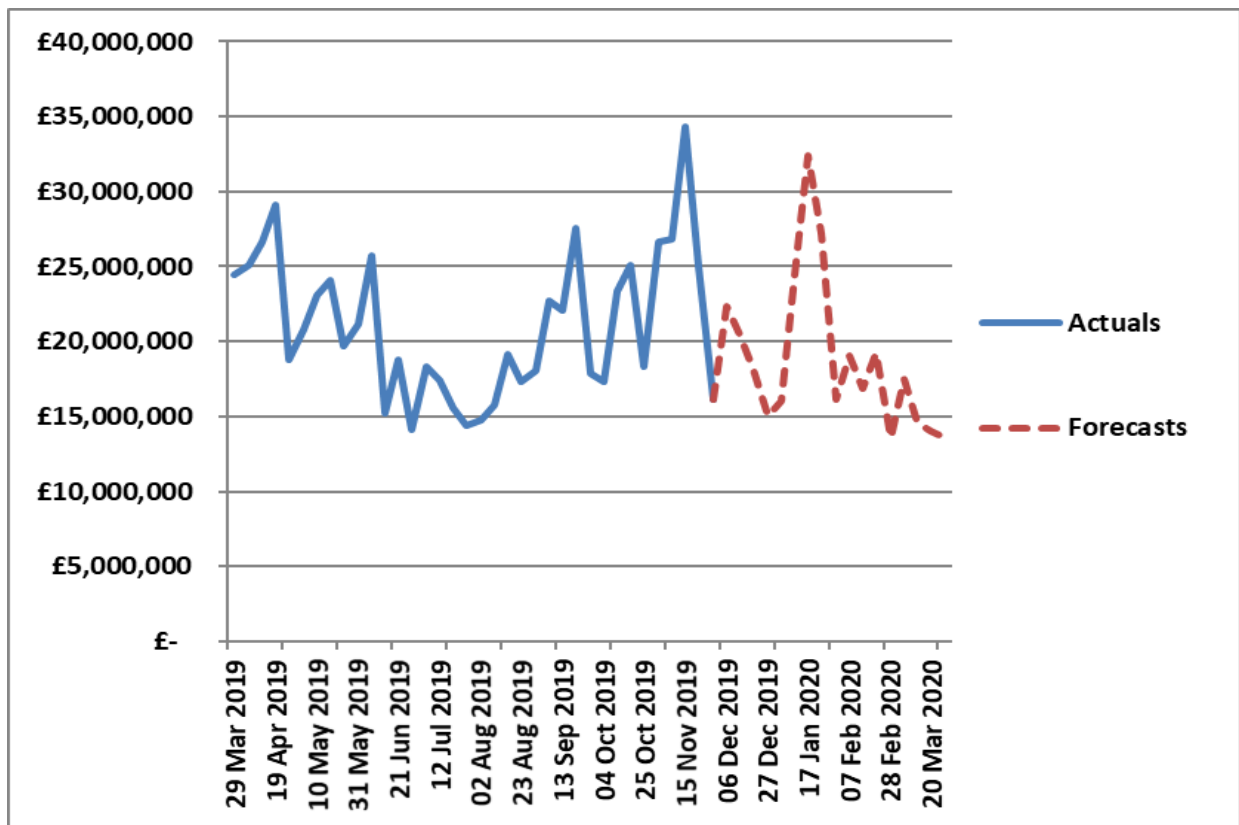
The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect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

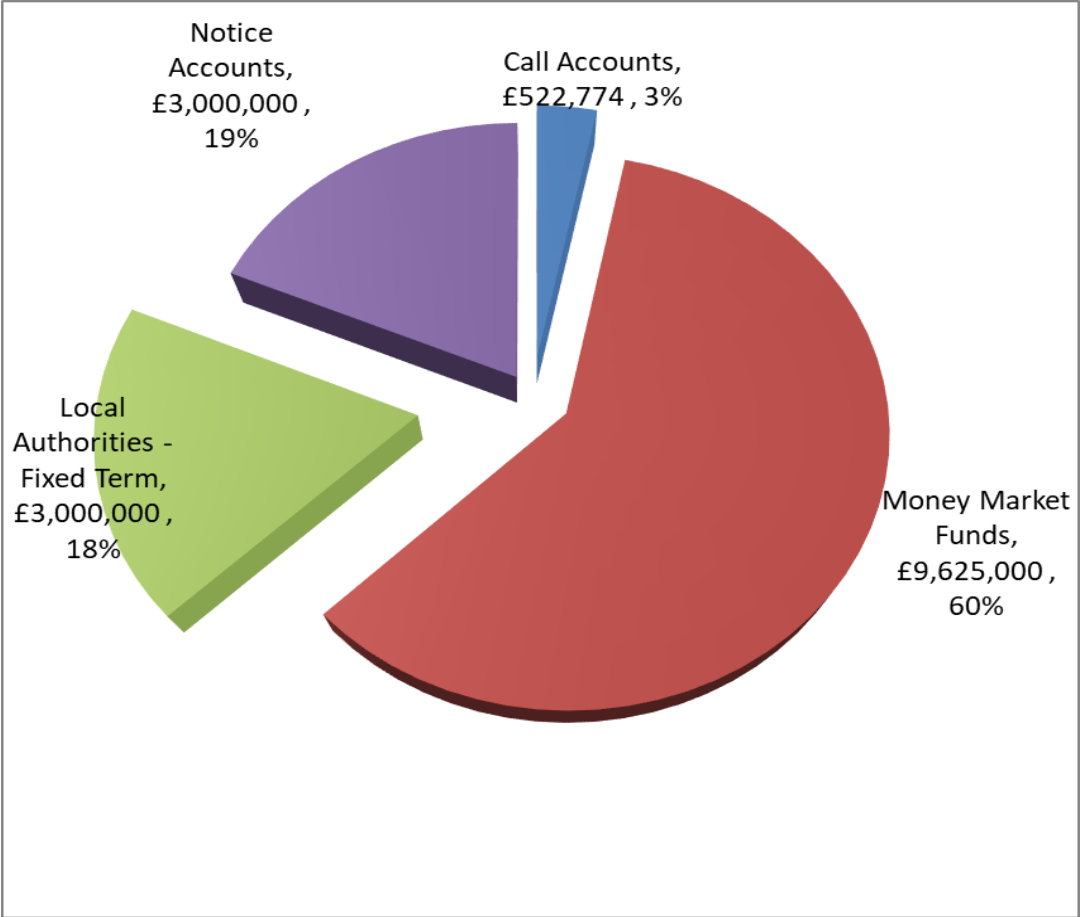
VERSION: 0.01

CONTACT OFFICER:	Jody Spencer-Anforth – Finance Manager	extn 507748
	Louise Mattinson - Director of Finance & Customer Services	extn 5600
DATE:	19 th December 2019	
BACKGROUND PAPERS:	CIPFA Guidance - CLG Investment Guidance - Council Treasury Management Strategy approved by Executive Board 14 th March 2019	

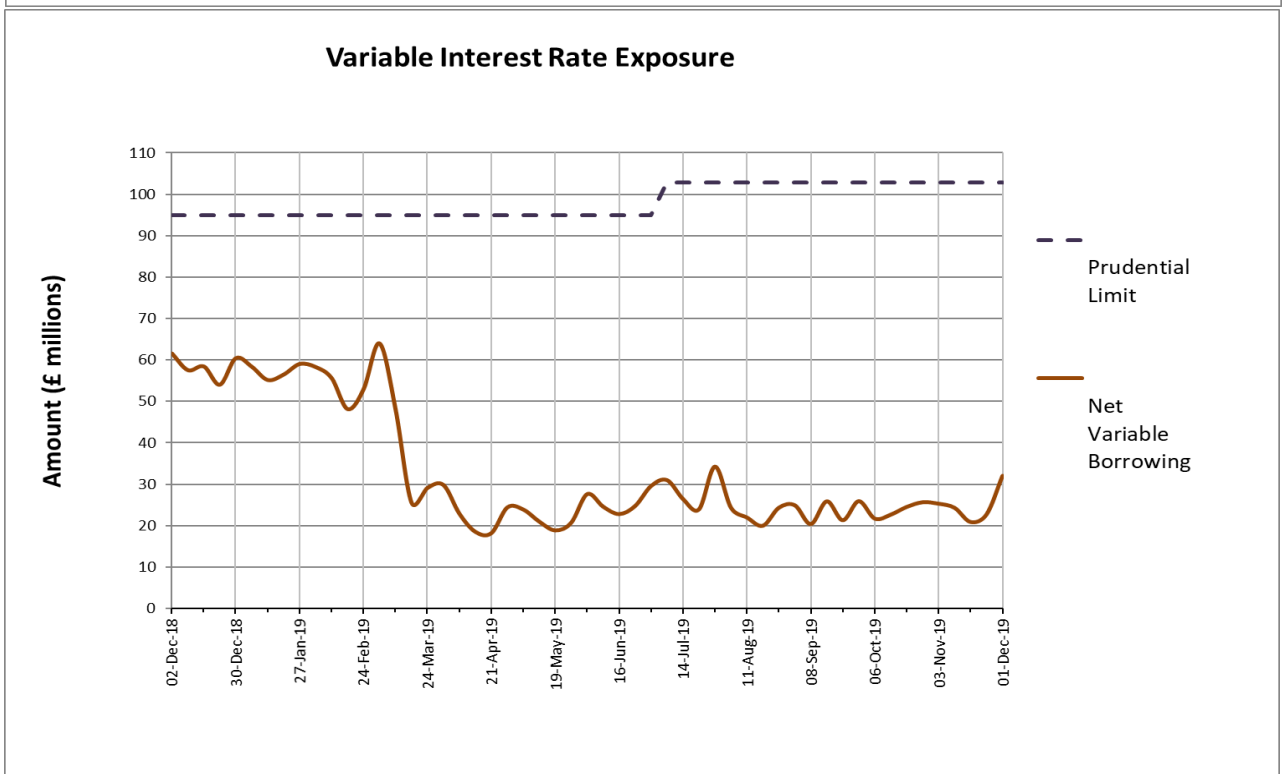
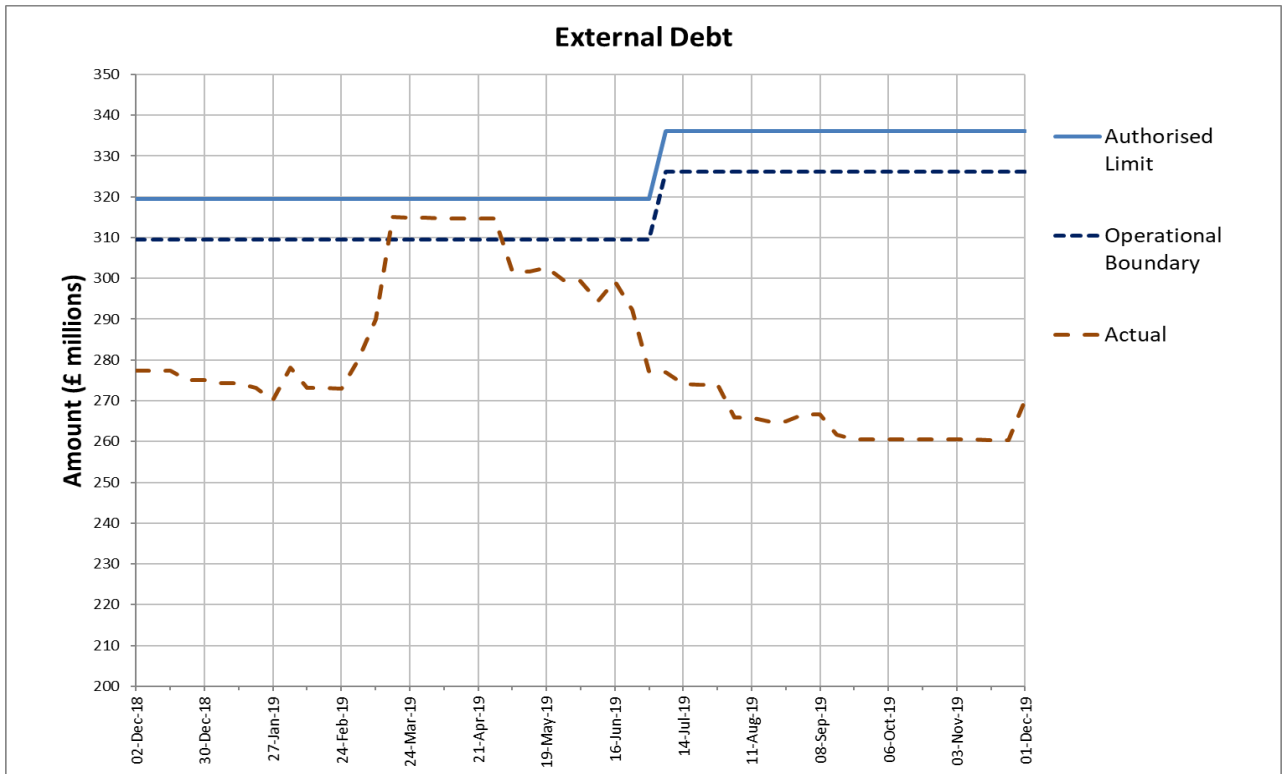
Weekly Investment balances

2019/20 (Feb 19 to Mar 20)





	Indicator 2019/20	As approved Feb/Mar 19	Current Monitoring	Commentary																																									
PRUDENTIAL INDICATORS	Estimated Capital Expenditure	£35 M	£38M																																										
	Estimated total Capital Financing Requirement at end of year	£310.6 Million (incl projections re LCC debt £15.3M and accumulated PFI / Lease debt £69.5M)	<table border="1"> <tr> <td colspan="2">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</td> </tr> <tr> <td>Borrowing to date</td> <td>£M</td> </tr> <tr> <td>LCC Debt</td> <td>14.4</td> </tr> <tr> <td>PFI Elements</td> <td>64.0</td> </tr> <tr> <td>BwD</td> <td>194.0</td> </tr> <tr> <td>Total</td> <td>272.4</td> </tr> </table>	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		Borrowing to date	£M	LCC Debt	14.4	PFI Elements	64.0	BwD	194.0	Total	272.4																														
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LCC Debt	14.4																																												
PFI Elements	64.0																																												
BwD	194.0																																												
Total	272.4																																												
Estimated ratio of financing costs to net revenue stream	14.25% (Main Programme Capital Spend)																																												
Outturn External Debt prudential Indicators	<table border="1"> <tr> <td>LCC Debt</td> <td>15.3M</td> </tr> <tr> <td>PFI elements (no lease)</td> <td>69.5M</td> </tr> <tr> <td>Remaining elements</td> <td>240.8M</td> </tr> <tr> <td>Operational Boundary</td> <td>326.1M</td> </tr> <tr> <td>Authorised Borrowing Limit</td> <td>336.1M</td> </tr> </table>	LCC Debt	15.3M	PFI elements (no lease)	69.5M	Remaining elements	240.8M	Operational Boundary	326.1M	Authorised Borrowing Limit	336.1M	<table border="1"> <tr> <td>LCC Debt</td> <td>14.4</td> </tr> <tr> <td>PFI Elements</td> <td>64.0</td> </tr> <tr> <td>BwD</td> <td>194.0</td> </tr> <tr> <td>Total</td> <td>272.4</td> </tr> </table>	LCC Debt	14.4	PFI Elements	64.0	BwD	194.0	Total	272.4	LCC debt and BSF PFI debt will both fall across the year, as debt payments are made																								
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PFI elements (no lease)	69.5M																																												
Remaining elements	240.8M																																												
Operational Boundary	326.1M																																												
Authorised Borrowing Limit	336.1M																																												
LCC Debt	14.4																																												
PFI Elements	64.0																																												
BwD	194.0																																												
Total	272.4																																												
TREASURY	Variable Interest Rate Exposure	£102.8 M	Exposure to date	£38.9 M	Limit not breached during the year																																								
	Fixed Interest Rate Exposure	£233.9 M	Exposure to date	£139.0 M	Limit not breached during the year																																								
	Prudential limits for maturity structure of borrowing	<table border="1"> <thead> <tr> <th>Lower Limit</th> <th>Upper Limit</th> <th>Period (Years)</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>50%</td> <td><1</td> </tr> <tr> <td>0</td> <td>20%</td> <td>1-2</td> </tr> <tr> <td>0</td> <td>30%</td> <td>2-5</td> </tr> <tr> <td>0</td> <td>30%</td> <td>5-10</td> </tr> <tr> <td>25%</td> <td>95%</td> <td>>10</td> </tr> </tbody> </table>	Lower Limit	Upper Limit	Period (Years)	0	50%	<1	0	20%	1-2	0	30%	2-5	0	30%	5-10	25%	95%	>10	<table border="1"> <thead> <tr> <th colspan="3">Actual maturity structure to date</th> </tr> <tr> <th>Period (Years)</th> <th>£M</th> <th>%</th> </tr> </thead> <tbody> <tr> <td><1</td> <td>44.1</td> <td>23%</td> </tr> <tr> <td>1-2</td> <td>4.2</td> <td>2%</td> </tr> <tr> <td>2-5</td> <td>10.8</td> <td>6%</td> </tr> <tr> <td>5-10</td> <td>37.3</td> <td>19%</td> </tr> <tr> <td>>10</td> <td>97.6</td> <td>50%</td> </tr> <tr> <td>Total</td> <td>194.0</td> <td>100%</td> </tr> </tbody> </table>	Actual maturity structure to date			Period (Years)	£M	%	<1	44.1	23%	1-2	4.2	2%	2-5	10.8	6%	5-10	37.3	19%	>10	97.6	50%	Total	194.0	100%
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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 than 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 indicator 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).

DRAFT TREASURY MANAGEMENT STRATEGY 2020/21

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.

2 Borrowing Strategy

- 2.1 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.
- 2.2 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 Investment Strategy

- 3.1 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 £50 million, reflecting in particular the profiles of capital spending, grant funding, short term borrowing levels and long term debt repayments.
- 3.2 Cash flow surpluses can be considered as falling into three categories –
- 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.
 - 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.

- 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, corporate bonds and pooled funds in bond, equity and property funds, which could be used to diversify the portfolio.

3.3 Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to diversify into secure higher yielding asset classes during 2020/21. This is especially the case for amounts estimated to be available for longer-term investment. All of the Authority's surplus cash is currently invested in short-term unsecured bank deposits and money market funds along with fixed term deposits with other local authorities and the Debt Management Office (DMO). This diversification will represent a change in strategy over the coming year.

4 Changes to Reporting of Lease Commitments

- 4.1 For the financial year ending 31 March 2020/21, there are changes to the accounting treatment of operating leases. Operating leases have previously been charged to the service area each month as they have been incurred. These leases are now required to be included as an asset and corresponding liability on the balance sheet. This is a change in accounting treatment only and will have no operational effect, however, as this will result in additional borrowing being reported, there will be an impact on the borrowing limits and indicators set for 2020/21.
- 4.2 The impact of this change is still being quantified and therefore a number of areas in the Treasury Management Strategy which are likely to be subject to change.

5 Investment Criteria and Treasury Management Indicator for 2020/21

- 5.1 The proposed investment criteria and treasury management indicators are expected to be essentially the same as were agreed last year, but will be impacted by the change in accounting treatment for leases, as mentioned above.
- 5.2 As the impact of the change in accounting treatment for leases is still being quantified, these criteria and indicators are yet to be finalised.